

# Annual Securities Report

(The English translation of the “Yukashoken-Hokokusho” based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan)

The 53rd Fiscal Year  
From April 1, 2016 to March 31, 2017

Striders Corporation

(E02738)

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[Submitted document]	Annual Securities Report “Yukashoken Hokokusho”
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[Submission date]	June 23, 2017
[Fiscal year]	53rd fiscal year (from April 1, 2016 to March 31, 2017)
[Corporate name]	Kabushiki-Kaisha Striders
[Corporate name in English]	Striders Corporation
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[Place available for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

## Part I. Company Information

### Section 1. Overview of the Company

#### 1. Transition of Significant Business Indicators, etc.

##### (1) Consolidated Business Indicators, etc.

Term	49th Period	50th Period	51st Period	52nd Period	53rd Period
Fiscal year ended	March 2013	March 2014	March 2015	March 2016	March 2017
Net sales (Thousands of yen)	1,689,293	2,690,638	3,642,696	5,046,810	6,366,301
Ordinary profit (loss) (Thousands of yen)	(113,755)	91,435	83,194	277,339	293,121
Profit (loss) attributable to owners of parent (Thousands of yen)	(353,818)	133,560	73,194	135,256	229,226
Comprehensive income (Thousands of yen)	(311,247)	88,885	78,019	90,544	247,862
Net assets (Thousands of yen)	988,333	1,140,962	1,577,328	1,646,052	1,898,595
Total assets (Thousands of yen)	1,992,293	2,309,294	3,502,215	3,605,056	3,891,444
Net assets per share (Yen)	11.93	13.32	17.40	18.46	21.30
Net income (loss) per share (Yen)	(4.74)	1.64	0.86	1.52	2.58
Diluted net income per share (Yen)	-	1.62	0.86	1.51	2.57
Ratio of shareholders' equity (%)	48.1	48.2	44.1	45.4	48.6
Ratio of profit to shareholders' equity (%)	-	12.89	5.51	8.51	12.99
Price-earnings ratio (Times)	-	33.62	104.41	51.15	26.32
Net cash from operating activities (Thousands of yen)	(45,827)	172,247	217,080	156,626	278,477
Net cash from investing activities (Thousands of yen)	(562,471)	175,706	(813,836)	(159,310)	(135,796)
Net cash from financing activities (Thousands of yen)	383,560	263,747	706,583	30,914	(16,518)
Cash and cash equivalents at the end of fiscal year (Thousands of yen)	562,123	1,173,824	1,283,481	1,310,138	1,436,880
Number of employees (Persons)	75	62	120	120	131
[Average number of additional temporary workers]	[28]	[32]	[39]	[52]	[68]

##### Notes:

1. Net sales do not include consumption taxes, etc.
2. Diluted net income per share for the 49th period is not presented since the Company has latent shares with a dilution effect, though posted a net loss.
3. Ratio of profit to shareholders' equity and price-earnings ratio for the 49th period are not presented because loss attributable to owners of parent was posted.

(2) Non-consolidated Business Indicators, etc., of the Company

Term	49th Period	50th Period	51st Period	52nd Period	53rd Period
Fiscal year ended	March 2013	March 2014	March 2015	March 2016	March 2017
Net sales (Thousands of yen)	94,963	68,291	150,356	117,882	128,553
Ordinary profit (loss) (Thousands of yen)	(60,379)	5,641	(5,444)	108,639	162,151
Profit (loss) (Thousands of yen)	(321,589)	66,549	24,329	58,476	194,551
Capital stock (Thousands of yen)	1,371,406	1,403,421	1,578,674	1,578,674	1,582,416
Number of issued shares (Shares)	80,330,896	83,555,896	88,730,896	88,730,896	88,870,896
Net assets (Thousands of yen)	927,632	1,038,425	1,424,412	1,440,825	1,650,261
Total assets (Thousands of yen)	1,010,220	1,169,985	2,083,701	2,128,228	2,386,540
Net assets per share (Yen)	11.54	12.43	15.99	16.15	18.51
Dividend per share [Interim dividend per share]	- [-]	- [-]	- [-]	- [-]	- [-]
Net income (loss) per share (Yen)	(4.31)	0.82	0.29	0.66	2.19
Diluted net income per share (Yen)	-	0.81	0.29	0.65	2.18
Ratio of shareholders' equity (%)	91.8	88.7	68.1	67.3	68.9
Ratio of profit to shareholders' equity (%)	-	6.41	1.72	4.08	11.83
Price-earnings ratio (Times)	-	67.46	314.12	118.32	31.02
Dividend payout ratio (%)	-	-	-	-	-
Number of employees [Average number of additional temporary workers] (Persons)	6 [-]	6 [-]	6 [-]	7 [-]	7 [-]

Notes:

1. Net sales do not include consumption taxes, etc.
2. Diluted net income per share for the 49th period is not presented since the Company has latent shares with a dilution effect, though posted a net loss.
3. Ratio of profit to shareholders' equity and price-earnings ratio for the 49th period are not presented because net loss was posted.
4. Average number of additional temporary workers from the 49th to 53rd periods is not presented since it is less than 10% of the number of employees.

## 2. The Company's History

Month & Year	Events
February 1965	Established as a company handling lease business machines.
February 1977	Changed trade name to Lease Electronics Co., Ltd.
February 1991	Registered the Company's shares for the over-the-counter trading.
July 1998	Changed trade name to Vertex Link Corporation.
April 2004	Established Yu Tech Co., Ltd.
November 2004	Changed the trade name of Yu Tech Co., Ltd. to GeoBrain Corporation.
December 2004	Listed on Jasdak Securities Exchange.
February 2005	Established VLR Co., Ltd.
August 2005	Established Vertex Link Digital Design Co., Ltd.
December 2006	Converted AGATE CONSULTING, Inc. into a wholly owned subsidiary.
March 2007	Established a capital and business alliance with dit Co., Ltd.
July 2007	Acquired shares of Your Capital Co., Limited (South Korea) and converted it into a consolidated subsidiary.
February 2008	Vertex Link Digital Design Co., Ltd. started a recruiting business.
May 2008	Vertex Link Digital Design Co., Ltd. started a recruiting business (business license acquired) and changed its trade name to Japan Career Partners Co., Ltd.
	Changed the trade name of VLR Co., Ltd. to M&A Global Partners Co., Ltd.
January 2009	Transferred all the shares of consolidated subsidiary Japan Career Partners Co., Ltd.
February 2009	Convert S-GRANT Advisors Co., Ltd. into a subsidiary and changed its trade name to Trust Advisers Corporation.
March 2009	M&A Global Partners Co., Ltd. merged with AM Composite Co., Ltd.
April 2009	Transferred shares of consolidated subsidiary AGATE CONSULTING, Inc.
	Transferred shares of GeoBrain Corporation.
April 2010	Got listed in the JASDAQ market of the Osaka Securities Exchange (currently JASDAQ market of the Tokyo Stock Exchange), in accordance with the integration of the Jasdak Securities Exchange and the Osaka Securities Exchange.
July 2010	Changed trade name to Striders Corporation.
April 2011	Established Global Artists Limited Liability Partnership.
May 2011	Transferred all the shares of Your Capital Co., Limited (South Korea).
March 2012	Acquired shares of Mobile Link Inc. and converted it into a consolidated subsidiary through the third-party allotment.
May 2012	Acquired shares of Y.K. Masuda Seimen and converted it into a consolidated subsidiary.
December 2012	Established Global Holdings Co., Ltd.
March 2013	Global Holdings Co., Ltd. acquired Narita Port Hotel (currently Narita Gateway Hotel), converted its operating company Ishin Narita Oyama Operations into a consolidated subsidiary and changed the trade name to Narita Gateway Hotel Co., Ltd.
March 2014	Established Tokyo Apartment Guaranty Corporation.
June 2014	Converted L'Hotel de Kurashiki Co., Ltd. which owns and operates Hotel Nikko Kurashiki into a subsidiary and changed the trade name to Kurashiki Royal Art Hotel Co., Ltd.
March 2015	Mobile Link Inc. established Shin-Kong Mobilelink co., Ltd. as a joint enterprise in Taiwan.
April 2015	Established Strider Capital Asia PLC in Sri Lanka as a joint enterprise with Asia Capital PLC.

### 3. Description of Business

The Striders Group (the Company and its affiliates) consists of the Company (Striders Corporation), its eight subsidiaries and an affiliate. The primary businesses are Information Technology Business, Turnaround Consultancy Business, Real Estate Lease Management Business, Food Business, and Hotel Business.

The Company corresponds to Specified Listed Corporations, etc. defined in the Article 49-2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. Accordingly, insignificance criteria of material facts of insider trading regulations shall be determined based on values on consolidated basis.

The followings are the description of business and the affiliated companies. The following five business segments are the same as the segment classifications listed in “5. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements.”

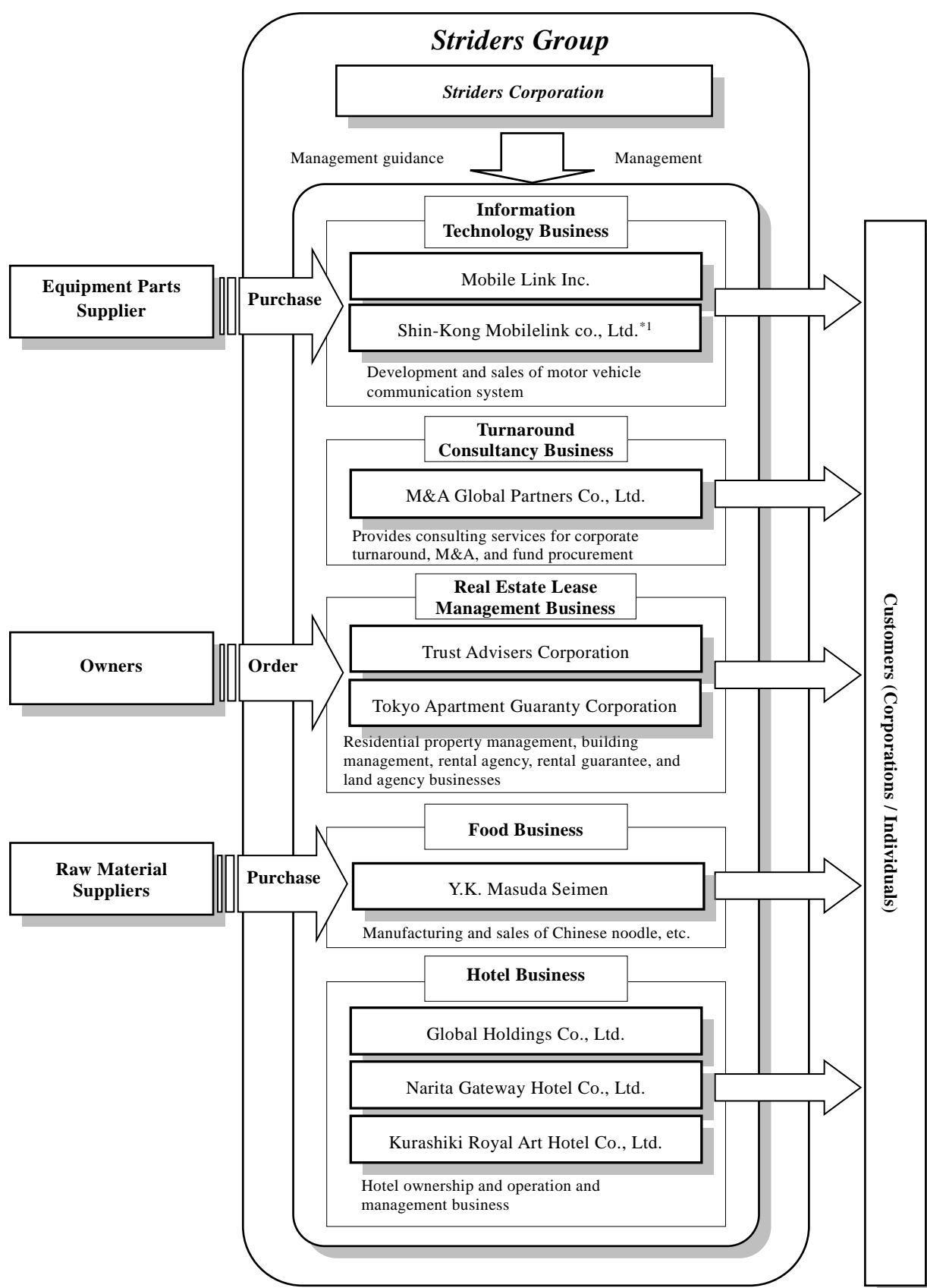
#### [Business Description]

Operating segment	Business	Company
Information Technology Business	- Development and sales of motor vehicle communication system	Mobile Link Inc. Shin-Kong Mobilelink co., Ltd.
Turnaround Consultancy Business	- Turnaround Consultancy business (provide consulting services for corporate turnaround, M&A, and fund procurement)	M&A Global Partners Co., Ltd.
Real Estate Lease Management Business	- Real estate lease management business (residential property management, building management, and rental agency businesses) - Rental guarantee business - Land agency business	Trust Advisers Corporation Tokyo Apartment Guaranty Corporation
Food Business	- Manufacturing and sales of Chinese noodle, etc.	Y.K. Masuda Seimen
Hotel Business	- Hotel ownership and operation and management business	Global Holdings Co., Ltd. Narita Gateway Hotel Co., Ltd. Kurashiki Royal Art Hotel Co., Ltd.



## Business flowchart

The business linkage of the above status is shown in the business flowchart below:



### Notes

No mark: Consolidated subsidiaries

\*1: Affiliate accounted for using equity method

#### 4. Overview of Affiliated Entities

Name of company	Location	Capital stock (Thousands of yen)	Main line of business (Note 1)	Holding ratio of voting rights (%)	Relationship
(Consolidated subsidiary)					
M&A Global Partners Co., Ltd.	Minato-ku, Tokyo	50,000	Turnaround Consultancy Business	100.0	Interlocking directors Fund support
Trust Advisers Corporation (Note 3)	Shinagawa-ku, Tokyo	50,000	Real Estate Lease Management Business	100.0	Interlocking directors Fund support
Mobile Link Inc.	Shinjuku-ku, Tokyo	65,000	Information Technology Business	100.0	Interlocking directors
Y.K. Masuda Seimen	Yokosuka, Kanagawa	45,000	Food Business	100.0	Interlocking directors Fund support
Global Holdings Co., Ltd.	Minato-ku, Tokyo	3,000	Hotel Business	100.0	Interlocking directors Fund support
Narita Gateway Hotel Co., Ltd. (Note 3)	Narita, Chiba	3,000	Hotel Business	100.0	Interlocking directors Fund support
Tokyo Apartment Guaranty Corporation	Shinagawa-ku, Tokyo	3,000	Real Estate Lease Management Business	100.0	Interlocking directors
Kurashiki Royal Art Hotel Co., Ltd.	Kurashiki, Okayama	27,068	Hotel Business	99.8	Interlocking directors Fund support
(Affiliate accounted for using equity method)					
Shin-Kong Mobilelink co., Ltd. (Note 2)	Taipei, Taiwan	30,000,000 TWD	Information Technology Business	49.0 (49.0)	Interlocking directors

Notes: 1. In the “Main lines of business,” the name of the segment is stated.

2. The figure in parentheses under “Holding ratio of voting rights” for Shin-Kong Mobilelink co., Ltd. represents the percentage of indirectly held votes held by Mobile Link Inc.

3. Sales of Trust Advisers Corporation and Narita Gateway Hotel Co., Ltd. (excluding internal transactions between consolidated subsidiaries) exceed 10% of consolidated sales.

#### Major Profit and Loss Information, etc.

(Thousands of yen)	Trust Advisers Corporation	Narita Gateway Hotel Co., Ltd.
(1) Sales	4,400,665	862,877
(2) Ordinary profit	152,680	95,927
(3) Profit	102,651	64,964
(4) Net assets	198,203	113,136
(5) Total assets	972,398	277,229

## 5. Information about Employees

### (1) Employees on a Consolidated Basis

As of March 31, 2017

Name of segment	Number of employees
Information Technology Business	11 (-)
Turnaround Consultancy Business	- (-)
Real Estate Lease Management Business	36 (3)
Food Business	7 (10)
Hotel Business	70 (55)
Reportable segment total	124 (68)
Corporate (unallocated)	7 (-)
Total	131 (68)

Notes: 1. The number of employees represents the number of full-time employees, and the average annual number of temporary workers other than the full-time employees (including part-time employees and temporary workers from staffing agencies) is indicated in parentheses.

2. The number of employees in the “Corporate (unallocated)” segment represents those employees employed by the administrative division that is not allocated to any specific segments.

### (2) Employees of the Company

As of March 31, 2017

Number of employees	Average age	Average number of years employed	Average annual salary (Thousands of yen)
7 (-)	37.8	3.1	5,441

Name of segment	Number of employees
Information Technology Business	- (-)
Turnaround Consultancy Business	- (-)
Real Estate Lease Management Business	- (-)
Food Business	- (-)
Hotel Business	- (-)
Reportable segment total	- (-)
Corporate (unallocated)	7 (-)
Total	7 (-)

Notes: 1. The number of employees represents the number of full-time employees, and the average annual number of temporary workers other than the full-time employees (including part-time employees and temporary workers from staffing agencies) is indicated in parentheses.

2. The number of employees in the “Corporate (unallocated)” segment represents those employees employed by the administrative division that is not allocated to any specific segments.

3. Average annual salary includes bonuses and surplus wages.

### (3) Labor Union

Although a labor union has not been formed, the Company has maintained sound labor-management relations.

## Section 2. Overview of Business

### 1. Overview of Business Results

#### (1) Operating Results

In the fiscal year ended March 31, 2017, (hereinafter, “the period under review”), the Japanese economy recovered moderately with lower unemployment and resilient personal spending. However, the outlook for the Japanese economy remained uncertain with slowing economic growth in China and other emerging countries, the issue of the UK leaving the European Union, and the policy trends of the new US administration.

Under the economic circumstance described above, the Striders Group (Striders Corporation and its consolidated subsidiaries) focused on sales activities to attract new customers in all business units, cost cutting and other initiatives during the period under review. In addition, we have considered making business investments to acquire new sources of revenue.

Consequently, net sales for the period under review increased 26.1% year-on-year to 6,366 million yen, operating profit decreased 6.0% year-on-year to 279 million yen, ordinary profit increased 5.7% year-on-year to 293 million yen and profit attributable to owners of parent increased 69.5% year-on-year to 229 million yen.

Business segment performance was as follows.

##### 1) Information Technology Business

Mobile Link Inc. has been focused on sales activities in ETC2.0 in addition to the vehicle information management system, which is one of its core products, as well as cost reductions. Furthermore, the joint venture with a Taiwanese company has been engaged in developing its own brand of on-board units.

Segment sales in the period under review increased 14.4% year-on-year to 308 million yen with operating profit of 5 million yen (compared with operating loss of 10 million yen one year earlier).

##### 2) Turnaround Consultancy Business

M&A Global Partners Co., Ltd. has been engaged in operations such as fund procurement support and M&A consulting services.

Segment sales in the period under review increased 0.0% year-on-year to 30 million yen and operating profit decreased 10.0% year-on-year to 26 million yen.

##### 3) Real Estate Lease Management Business

Trust Advisers Corporation has successfully achieved an increase in the number of buildings under management as a result of aggressive marketing efforts in the residential property business. The land agency business also maintained strong performance with the increased number of contracts, but there were temporary vacant rooms due to subleases.

Segment sales in the period under review increased 45.6% year-on-year to 4,401 million yen and operating profit decreased 9.5% year-on-year to 166 million yen.

##### 4) Food Business

Y. K. Masuda Seimen produces Chinese and other noodles that are sold mainly to Yokohama house-type ramen restaurants in the Kanagawa area. While the amount of orders received once dropped due mainly to closure of some ramen restaurants and some customers switching to in-house production of noodles, it has recovered by establishing ties with new customers and increasing the number of existing restaurants.

Segment sales in the period under review decreased 0.0% year-on-year to 162 million yen with operating profit of 13 million yen (compared with operating loss of one million yen one year earlier).

##### 5) Hotel Business

We currently operate the Narita Gateway Hotel in the Narita International Airport area and the Kurashiki Royal Art Hotel located in the Kurashiki Bikan Historical Quarter, Okayama prefecture. While the both hotels suffered lower room rates because of price competition with other hotels in the area, we have replaced its

facilities and renovated the guest rooms to maintain competitiveness.

Segment sales in the period under review decreased 6.3% year-on-year to 1,463 million yen and operating profit decreased 6.4% year-on-year to 228 million yen.

## (2) Cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) increased 126 million yen from the end of the previous fiscal year to 1,436 million yen at the end of the period under review.

### Cash flows from operating activities

Net cash provided by operating activities increased 77.8% year-on-year to 278 million yen. The main factors include booking of profit before income taxes of 277 million yen and depreciation of 68 million yen, which were partially offset by an increase in inventories of 91 million yen.

### Cash flows from investing activities

Net cash used in investing activities decreased 14.8% year-on-year to 135 million yen. The main factors include purchase of investment securities of 120 million yen, purchase of property, plant and equipment of 82 million yen, and purchase of intangible assets of 12 million yen, which were partially offset by proceeds from sales of securities of 44 million yen and proceeds from sales of investment securities of 32 million yen.

### Cash flows from financing activities

Net cash used in financing activities was 16 million yen (compared with net cash provided of 30 million yen in the previous fiscal year). The main factors include increase (decrease) in short-term loans payable of 48 million yen and proceeds from long-term loans payable of 100 million yen, which was more than offset by repayments of long-term loans payable of 169 million yen.

## 2. Overview of Production, Orders Received and Sales

### (1) Production

Production performance in the Food Business is presented below. There are no production activities in the Information Technology Business, Turnaround Consultancy Business, Real Estate Lease Management Business and Hotel Business.

Name of segment	FY3/17 (April 1, 2016 – March 31, 2017)	Year-on-year comparison (%)
Food Business (Thousands of yen)	97,663	(1.5)

Notes: 1. The amount is based on manufacturing cost and before inter-segment transfers.

2. Consumption taxes, etc., are not included in the above amount.

### (2) Orders Received

Some activities of the Information Technology Business and Food Business are based on orders received. However, no information for orders received is shown because the time between the receipt of orders and delivery is short and the performance is insignificant. Furthermore, sales activities are not based on orders in the Turnaround Consultancy Business, Real Estate Lease Management Business and Hotel Business.

### (3) Sales Performance

The sales performance in each segment in the period under review is as follows:

Name of segment	FY3/17 (April 1, 2016 – March 31, 2017)	Year-on-year comparison (%)
Information Technology Business (Thousands of yen)	308,429	14.4
Turnaround Consultancy Business (Thousands of yen)	30,000	0.0
Real Estate Lease Management Business (Thousands of yen)	4,401,213	45.6
Food Business (Thousands of yen)	162,802	(0.0)
Hotel Business (Thousands of yen)	1,463,355	(6.3)
Reportable segment total (Thousands of yen)	6,365,801	26.1
Others (Thousands of yen)	500	-
Total	6,366,301	26.1

Notes: 1. Inter-segment transactions have been eliminated.

2. Sales amounts to major customers and their ratios to total sales amount in the last two consolidated fiscal years are not stated because the ratios are less than 10% of the total sales amount.

3. Consumption taxes, etc., are not included in the above amount.

### 3. Management Policies, Market Conditions and Issues to Address

Forward-looking statements in this section represent the judgments of the Striders Group as of the end of the period under review.

#### (1) Management Policies

Business investments are the core activity of Striders, but capital gains are not the only objective of these investments. Decisions about investments are also based on prospects for a business to make a contribution to society and a better future.

The best investment method for each business is used. For example, Striders may establish a subsidiary, make a joint investment with a partner or fund, acquire a company to participate in its management, make a company a consolidated subsidiary, or use other schemes. As a rule, business investments are long-term holdings. After an investment has been made, Striders uses its resources to provide a diverse spectrum of support at many levels.

In all cases, the goals are to increase the value of companies where investments were made and to maximize the earnings of the Striders Group.

#### (2) Business Strategy

Striders concentrates investments on businesses in Japan and other countries with foresight about upcoming trends and the potential to achieve sustained growth in the business value. In addition, Striders extends management and financial assistance to companies lacking a competitive edge in cases where regaining the ability to compete is possible. The aim is to earn a high return on invested capital by reorganizing these companies.

For overseas investments, Striders uses its experience to make investments in growing industries while taking into account economic and other conditions in other countries.

#### (3) Market Conditions

In the period under review, the Japanese economy recovered moderately with lower unemployment and resilient personal spending. However, the outlook for the Japanese economy remained uncertain with slowing economic growth in China and other emerging countries, the issue of the UK leaving the European Union, and the policy trends of the new US administration.

In the core Real Estate Lease Management Business, the operating environment remained challenging as an oversupply of real estate for leasing in the Tokyo area caused vacancy rates to climb.

Furthermore, although Japan's hotel sector benefited from growth in the number of foreign tourists, competition became even more intense because of the increasing use of private homes for guest accommodations, the construction of new hotels and other events.

(4) Issues to Address

1) Strengthen management of the group

Due to the organizational structure of Striders, the performance of Striders is greatly influenced by the overall performance of the Striders Group. As a result, monitoring the performance of subsidiaries and other operating companies is an important aspect of business activities. To strengthen management of the group, Striders is reexamining the authority of group companies regarding their respective business activities and establishing a business reporting system and an administrative framework for operating companies. The goals are to conduct aggressive business operations, foster a strong commitment to compliance and operate more efficiently.

2) Use corporate resources more efficiently

To use corporate resources more efficiently, Striders is providing training for group employees and using funds available for investments more effectively. For example, there will be more information exchanges and sharing among managers of group companies and more training programs for employees. Goals include strengthening cooperation among subsidiaries and benefiting from more synergies among group companies. In addition, management will consider the centralized management of funds for all group companies and the sharing of sales information in order to perform sales activities backed by a network that only the Striders Group can create.

3) Use of M&A and alliances with external companies

To continue growing, Striders will need to acquire or invest in companies with operations that are consistent with the Striders corporate philosophy. Consequently, the medium to long-term policy is to aim for growth in sales and earnings by aggressively acquiring companies, forming business alliances and taking other actions.

4) Establish frameworks for internal controls and compliance

For internal controls that comply with the Companies Act and Financial Instruments and Exchange Act, Striders is establishing rules for the flow, documentation and visualization of business processes for all group companies. In addition to establishing rules, actions are needed to ensure that the activities of group companies follow these rules. Striders is assembling a structure for implementing these rules and recruiting the required personnel. The objective is to perform internal supervision, monitoring and IT oversight in a manner that matches the characteristics of business activities.

For compliance, the Striders Group has established a number of guidelines and policies: the Code of Corporate Conduct, Code of Employee Conduct, Personal Information Protection Policy, and Basic Policy against Anti-Social Forces. There are programs to ensure that everyone knows about and understands these guidelines and policies. As to the actual implementation of compliance in business operations, there are monitoring activities, studies by the Compliance Committee and an employee training program.

#### **4. Business Risks**

The following is a list of items described in the Overview of Business and Financial Information of this report that may have a significant effect on investors' decisions.

Forward-looking statements in this section represent the judgments of the Striders Group as of the end of the period under review.

1) The economy

The activities of the Striders Group cover many business sectors and are vulnerable directly and indirectly to changes in the health of the economies of Japan and other countries. Therefore, changes in the economy have an effect on the group's performance and financial position.

2) New business activities

The Striders Group starts new business activities only after completing thorough studies. If a change in the operating environment prevents the group from conducting a new business as planned, there may be an effect on the group's performance and financial position.

### 3) Overseas business activities

Overseas business activities of the Striders Group are vulnerable to the following risk factors. If any of these problems occur, there may be an effect on the group's performance and financial position.

- a. Economic downturns and competition from other companies
- b. Unexpected establishment of laws or regulations or taxation revisions
- c. Social turmoil caused by terrorism, demonstrations, wars or other events
- d. Unfavorable political events
- e. Movements in the value of a currency or exchange rates

### 4) Personal information

The Striders Group has a personal information management system that is structured to prevent leaks of personal information as prescribed in the Act on the Protection of Personal Information. However, the environment for the handling of personal information is becoming increasingly severe because of the high reliance of today's world on information. As a result, there may be a leak of personal information caused by an unforeseen event. If this happens, the resulting loss of public trust in the Striders Group, expenses for responding to the leak and other factors may have an effect on the group's performance.

### 5) Harm to the group's reputation

In the past, the performance and stock price of Striders have been negatively impacted by careless loans, investments and equity measures by former executives. Criticism and other damage to the group's reputation that occurred at that time still exist on the Internet and other channels. If this damage to the group's reputation prevents the group from conducting sound business activities, there may be an effect on the group's performance and financial condition.

### 6) Laws and regulations

In the Real Estate Lease Management Business of the Striders Group, consolidated subsidiary Trust Advisers, as a real estate company, has received licenses in accordance with the Building Lots and Buildings Transaction Business Act and the Act on Advancement of Proper Condominium Management. Consequently, Trust Advisers is subject to the associated legal restrictions. If current laws or regulations are revised or new legal restrictions are established, there may be restrictions on the group's business activities that could affect the group's performance and financial condition.

### 7) Food safety

In the group's Food Business, consolidated subsidiary Masuda Seimen produces and sells Chinese and other types of noodles. This company is subject to the Food Sanitation Act and other laws and regulations involving food products. The group has extensive measures for the assurance of quality and hygiene and exercises extreme care to maintain the safety of food products. However, if there is a violation of a law or regulation due to an unforeseen event, there may be an effect on the group's performance.

### 8) Stock dilution due to exercise of stock options

Striders has issued stock options for the purposes of motivating and retaining key personnel and procuring funds.

As of the submission date of this Securities Report, stock options represented common stock equivalents of 11,700 thousand shares. This is 13.2% of the 88,730 thousand shares issued as of that date. If these stock options are exercised, the resulting increase in the number of shares issued may dilute the value of each share.

### 9) Natural disasters and diseases

A powerful earthquake, typhoon or other natural disaster may damage buildings and other facilities of the Striders Group. This damage could reduce sales due to an interruption in business activities and require expenses for repairs. In addition, the occurrence of a new strain of influenza or some other infectious disease would lower long-distance travel and travel by groups. Any of these events may have an effect on the group's performance.



## 5. Critical Contracts for Operation

There is no applicable information.

## 6. Research and Development Activities

There is no applicable information for research and development activities for the current consolidated fiscal year.

## 7. Analysis of Financial Position, Operating Results and Cash Flows

Forward-looking statements in this section represent the judgments of the Striders Group as of the end of the period under review.

### (1) Significant Accounting Policies and Estimates

The consolidated financial statements of the Striders Group are prepared based on generally accepted accounting standards in Japan. The preparation of these financial statements required judgments and estimates by management, such as decisions concerning the selection and application of accounting policies that influence the information that is disclosed. Estimates by management are based on reasonable judgments that reflect past performance and other items. However, actual results may differ from these estimates due to the inherent uncertainty of estimates.

Of the significant accounting policies used by the Striders Group (see Section 5. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Significant Accounting Policies for Preparation of Consolidated Financial Statements), management believes that the following significant policies have a particularly important effect on judgments used for significant estimates for the preparation of the consolidated financial statements.

#### 1) Impairment of non-current assets

The Striders Group examines non-current assets regarding possible impairment at the end of every quarter, when there is a situation that prevents the recovery of book value, and when there is a change in circumstances involving non-current assets. If book value is greater than estimated future cash flows before discounting, the amount by which these cash flows exceed book value is recognized as an impairment loss. Although the Company believes estimates used for impairment decisions are reasonable, actual performance may differ from these estimates.

#### 2) Impairment of goodwill

The Striders Group amortizes goodwill using the straight-line method over a period of not more than 20 years during which benefits are expected to be received from the goodwill of each corresponding company or business. If there is a decline in profitability caused by a revision in an estimate resulting from a change in business assumptions that could have not been foreseen, there may be an impairment loss on goodwill.

### (2) Analysis of Operating Results and Financial Position during the Current Consolidated Fiscal Year

#### 1) Operating results

The summary of operating results for the current consolidated fiscal year is as described in “1. Overview of Business Results.”

#### 2) Financial position

##### Assets

Current assets increased 205 million yen from the end of the previous fiscal year to 2,151 million yen at the end of the period under review. The main factors include increases in cash and deposits by 117 million yen and real estate for sale by 93 million yen.

Non-current assets increased 81 million yen from the end of the previous fiscal year to 1,740 million yen. This was mainly attributable to an increase in deferred tax assets by 68 million yen.

As a result, total assets were 3,891 million yen, which was 286 million yen more than at the end of the previous fiscal year.

#### Liabilities

Current liabilities increased 102 million yen from the end of the previous fiscal year to 825 million yen at the end of the period under review. The main factors include increases in short-term loans payable by 48 million yen and unearned revenue by 37 million yen.

Non-current liabilities decreased 68 million yen from the end of the previous fiscal year to 1,166 million yen. This was mainly due to a decrease in long-term loans payable by 85 million yen.

As a result, total liabilities were 1,992 million yen, which was 33 million yen more than at the end of the previous fiscal year.

#### Net assets

Net assets increased 252 million yen from the end of the previous fiscal year to 1,898 million yen at the end of the period under review. The main factor includes booking of profit attributable to owners of parent of 229 million yen.

Consequently, the equity ratio was 48.6%.

### 3) Analysis of cash flows

The summary of cash flows for the period under review is as described in “1. Overview of Business Results.”

### (3) Factors that Could Have a Material Impact on Operating Results

As stated in “4. Business Risks.”

## Section 3. Information about Facilities

### 1. Overview of Capital Expenditures, etc.

There were investments of 12 million yen in the Real Estate Lease Management Business for a lease management IT system and Hotel Business investments of 64 million yen for updating and replacing equipment and 18 million yen for renovating guest rooms.

### 2. Major Facilities

The major facilities and equipment of the Company group are as follows:

#### (1) Domestic Subsidiaries

As of March 31, 2017

Company name	Facility name (Location)	Segment	Purpose of facility and equipment	Book value (Thousands of yen)					Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (square meters)	Others	Total	
Y.K. Masuda Seimen	Head Office Plant (Yokosuka, Kanagawa)	Food	Production equipment	15,097	5,189	40,000 (221.36)	30	60,317	7 (10)
Global Holdings Co., Ltd.	Narita Gateway Hotel (Narita, Chiba)	Hotel	Accommodation facility	265,311	-	85,663 (7,218.48)	0	350,975	- (-)
Narita Gateway Hotel Co., Ltd.	Narita Gateway Hotel (Narita, Chiba)	Hotel	Accommodation facility	55,099	3,898	-	22,913	81,910	24 (23)
Kurashiki Royal Art Hotel Co., Ltd.	Kurashiki Royal Art Hotel (Kurashiki, Okayama)	Hotel	Accommodation facility	544,814	529	223,000 (1,490.90)	7,269	775,612	46 (32)

Notes: 1. "Others" under "Book value" represents tools, furniture and fixtures.

The amount does not include consumption taxes.

2. Temporary workers are indicated in parentheses under "Number of employees."

### 3. Planned Additions, Retirements, etc. of Facilities

#### (1) Construction of New Major Facilities

Name of company or business place	Location	Segment	Purpose of facility and equipment	Planned investment (Thousands of yen)		Funding measures	Planned timing of launch and completion		Increased capacity on completion
				Total	Paid in		Launch	Completion	
Kurashiki Royal Art Hotel Co., Ltd.	Kurashiki, Okayama	Hotel	Systems for air conditioning and hot-water supply	124,100	-	Own funds and borrowings	June 2017 January 2018	June 2017 February 2018	Note 2

Notes: 1. Consumption taxes, etc., are not included in the above amount.

2. "Increased capacity on completion" is omitted because its measurement is difficult.

#### (2) Retirement of Major Facilities

There is no applicable information.

## Section 4. Information about Reporting Company

### 1. Information about Shares, etc.

#### (1) Total Number of Shares, etc.

##### 1) Total number of shares

Classification of stock	Total number of authorized shares (Shares)
Common stock	180,000,000
Total	180,000,000

Note: At the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, shareholders approved a 10-to-1 share consolidation of common stock with the effective date of October 1, 2017 and a change in the number of authorized shares in the Articles of Incorporation from 180,000,000 shares to 18,000,000 shares on the same day.

##### 2) Issued shares

(Shares)				
Classification	Number of issued shares as of the end of the current fiscal year (As of March 31, 2017)	Number of issued shares as of the submission date of this report (As of June 23, 2017)	Name of listed financial instruments exchange market or authorized financial instruments firms association	Remarks
Common stock	88,870,896	88,870,896	Tokyo Stock Exchange, Jasdaq (standard)	Number of shares for one unit: 1,000
Total	88,870,896	88,870,896	-	-

Note: At the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, shareholders approved a change in the trading unit (*tangen*) of stock in the Articles of Incorporation from 1,000 shares to 100 shares with the effective date for a share consolidation of October 1, 2017.

#### (2) Subscription Rights to Shares, etc.

The following subscription rights to shares have been issued in accordance with the Companies Act:

As per resolution by the Board of Directors on May 14, 2013

	As of the end of the current fiscal year (As of March 31, 2017)	As of the end of the month preceding the submission date of this report (As of May 31, 2017)
Number of subscription rights to shares (Units)	250	250
Number of own subscription rights to shares among all subscription rights to shares (Units)	-	-
Class of stock subject to subscription rights to shares	Common stock	Same as on the left.
Number of shares subject to subscription rights to shares (Shares)	250,000 (Note 1)	250,000 (Note 1)
Amount to be paid upon the exercise of subscription rights to shares (Yen)	28 (Note 2)	Same as on the left.
Exercise period of subscription rights to shares	From May 29, 2013 to May 28, 2021	Same as on the left.
Issue price of stock due to exercise of subscription rights to shares and amount to be incorporated into capital stock (Yen)	Issue price: 28 (Note 3) Amount to be incorporated into capital stock: 14 (Note 3)	Same as on the left.
Conditions for exercising subscription rights to shares	(Note 4)	Same as on the left.
Matters pertaining to transfer of subscription rights to shares	The approval of the Board of Directors is required.	Same as on the left.
Matters pertaining to substitute payment	-	-
Matters pertaining to issuance of subscription rights to shares resulting from the reorganization event	(Note 5)	Same as on the left.

Note 1. In the case that the Company conducts a stock split (including the allotment of shares of common stock of the Company without consideration; hereinafter the same shall apply) or a consolidation of shares, the number of shares subject to subscription rights to shares shall be adjusted in accordance with the following formula.

However, this adjustment will be performed only for shares subject to subscription rights to shares that have not been exercised or retired at the time of the stock split or consolidation of shares. Furthermore, any fraction less than one (1) share resulting from the adjustment will be rounded down.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \frac{\text{Ratio of stock split/stock consolidation}}{\text{consolidation}}$$

In addition to this adjustment, after the subscription rights to shares have been allocated, if there is an event that requires an adjustment to the number of shares to be issued upon the exercise of these rights, the Company can make a suitable adjustment to a reasonable extent.

Furthermore, any fraction less than one (1) share resulting from the adjustment will be rounded down.

Note 2. If the Company conducts a stock split or stock consolidation after the issuance of the subscription rights to shares, the following formula will be used to adjust the payment amount as of the effective date of the split or consolidation, with any fraction of one (1) yen resulting from the adjustment rounded up.

$$\text{Payment amount after adjustment} = \frac{\text{Payment amount before adjustment}}{\text{Ratio of stock split/stock consolidation}} \times \frac{1}{\text{consolidation}}$$

In addition, after the issuance of subscription rights to shares, if shares are issued at a price that is below market price, the following will be used to adjust the payment amount with any fraction of one (1) yen resulting from the adjustment rounded up.

$$\text{Payment amount after adjustment} = \frac{\text{Payment amount before adjustment} \times \frac{\text{Number of newly issued shares}}{\text{Number of issued shares}} + \frac{\text{Amount to be paid per share}}{\text{Market price per share}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}$$

Note 3. Matters relating to increments of capital stock and legal capital surplus

- 1) The amount by which the capital will be increased as a result of the issuance of shares upon the exercise of subscription rights to shares shall be the maximum amount of increase in capital, etc. ("maximum increase in capital") to be calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules multiplied by 0.5. Fraction less than one (1) yen resulting from the calculation shall be rounded up.
- 2) The amount by which the legal capital surplus will be increased as a result of the issuance of shares upon the exercise of subscription rights to shares shall be the above-mentioned maximum increase in capital minus the above-mentioned amount of capital increase.

Note 4. Conditions for exercising subscription rights to shares are as follows.

- 1) If the average closing price (including indicated prices; average excludes days with no closing price, but the Board of Directors can make adjustments as described in the above item 2) of the Company's common stock for ordinary trading on financial instrument exchanges where this stock is listed over any five-day period between the allocation date and end of the exercise period, including both of these days, is less than 50% of the exercise price at that time (the exercise price is adjusted as needed by the Board of Directors as described in the above item 2), holders of subscription rights to shares must exercise all remaining rights by the end of the exercise period at the exercise price (but the Board of Directors can make adjustments as described in the above item 2). However, this requirement does not apply in the following cases.
  - (a) When significant false or fraudulent information has been discovered in information disclosed by the Company
  - (b) The discovery that the Company has failed to properly announce a significant fact that should have been disclosed in accordance with laws and regulations or the rules of a financial instruments exchange where the Company's stock is listed
  - (c) When the Company's stock is delisted, the Company becomes insolvent or there is some other major change involving an item used as a premise when the subscription rights to shares were issued
  - (d) When there is any other event that can be viewed objectively as a detrimental act by the Company regarding the trust of subscription right holders
- 2) If the total number of issued shares would exceed the number of then-authorized shares by the exercise of subscription rights to shares at the time of exercise thereof, said subscription rights to shares cannot be exercised at that time.
- 3) The partial exercise of an individual subscription right to shares is not allowed.
- 4) This subscription rights to shares may not be exercised by an heir to a holder thereof.
- 5) The Company's Board of Directors may establish other conditions for exercising the subscription rights to shares in addition to the preceding items in this note.

Note 5. In the event of an absorption merger in which the Company is dissolved, a merger in which a new merged company is established and the Company is dissolved, an absorption and divestiture in which the Company is divested, a divestiture in which a new divested company is established, an exchange of stock in which the Company becomes a wholly owned subsidiary, or a stock transfer in which the Company becomes a wholly owned subsidiary (“reorganization event”), any remaining subscription rights to shares immediately prior to the date the reorganization event takes place will be replaced with new subscription rights to shares based on the following terms. The replacement will be made by the remaining company after the absorption merger, the newly established merged company, the remaining divested company after the absorption, the newly established divested company, the parent company after the exchange of stock or the parent company established after the transfer of stock (“reorganized company”).

1) Number of the subscription rights to shares to be newly granted

Based on the number of subscription rights held by each individual, a reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) right will be rounded down.

2) Class of stock subject to subscription rights to shares to be newly granted

The same class of stock of the reorganized company

3) Calculation of number of shares subject to subscription rights to shares to be newly granted

A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) share will be rounded up.

4) Value of assets to be contributed upon the exercise of the subscription rights to shares to be newly granted

A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) yen will be rounded up.

5) The exercise period of the new subscription rights, additions to capital stock and legal capital surplus when stock is issued upon the exercise of the new rights, reasons for the acquisition of the new rights by the reorganized company, the provision of the new rights when there is a reorganization event, and the subscription right certificates and exercise terms.

To be determined when the reorganization event takes place.

6) Restrictions on the acquisition of subscription rights to shares to be newly granted through transfer

The acquisition of subscription rights to shares to be newly granted through transfer shall require the approval of the Board of Directors of the reorganized company.

7) Other conditions shall be determined in the same manner as those for the reorganized company.

As per resolution by the Board of Directors on October 17, 2014

	As of the end of the current fiscal year (As of March 31, 2017)	As of the end of the month preceding the submission date of this report (As of May 31, 2017)
Number of subscription rights to shares (Units)	71	71
Number of own subscription rights to shares among all subscription rights to shares (Units)	-	-
Class of stock subject to subscription rights to shares	Common stock	Same as on the left.
Number of shares subject to subscription rights to shares (Shares)	7,100,000 (Note 1)	7,100,000 (Note 1)
Amount to be paid upon the exercise of subscription rights to shares (Yen)	92 (Note 2)	Same as on the left.
Exercise period of subscription rights to shares	From November 5, 2014 to November 4, 2017	Same as on the left.
Issue price of stock due to exercise of subscription rights to shares and amount to be incorporated into capital stock (Yen)	Issue price: 92 (Note 3) Amount to be incorporated into capital stock: 46 (Note 3)	Same as on the left.
Conditions for exercising subscription rights to shares	(Note 4)	Same as on the left.
Matters pertaining to transfer of subscription rights to shares	The approval of the Board of Directors is required.	Same as on the left.
Matters pertaining to substitute payment	-	-
Matters pertaining to issuance of subscription rights to shares resulting from the reorganized event	(Note 5)	Same as on the left.

Note 1. Number of shares subject to subscription rights to shares

1) The number of shares to be issued upon exercise of each of subscription rights to shares (hereinafter referred to as the “number of shares granted”) shall be 100,000. However, if shares granted are adjusted in accordance with items 2 or 4, the total number of shares subject to the rights will be adjusted accordingly.

2) If the Company adjusts the exercise price as described in Note 2, the number of shares granted will be adjusted using

the following formula. However, this adjustment will be performed solely for shares granted for rights that have not been exercised at the time of the adjustment. Any resulting fraction of one (1) share will be rounded down. The exercise prices before and after the adjustment that are used in this formula are the before and after exercise prices stated in Note 2.

$$\text{Payment amount after adjustment} = \frac{\text{Number of shares granted before adjustment} \times \text{Exercise price before adjustment}}{\text{Exercise price after adjustment}}$$

- 3) The adjusted number of shares granted will become effective on the same date as the effective date of the adjusted exercise price stated for the exercise price adjustment described in Note 2 2) and 5) for an event requiring an adjustment.
- 4) When the number of shares granted is adjusted, the Company must provide notification in writing of the following items to holders of subscription rights to shares by no later than the day prior to the date that the adjusted number of shares granted changes: the adjustment of shares granted and reason, shares granted before and after the adjustment, the date of the change, and other necessary information. However, this notification can be provided instead immediately after the date of the change in the event that, as described in Note 2 2) (e), the preceding notification cannot be performed prior to the date of the change.

Note 2. Adjustment to the exercise price

- 1) After the allocation of the subscription rights to shares, if there is a change or may be a change in the number of shares of common stock issued due to an event listed in 2), the exercise price will be adjusted using the following method (“exercise price adjustment formula”).

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times \left( \text{Number of issued shares} + \frac{\text{Number of shares delivered} \times \text{Amount to be paid per share}}{\text{Market price per share}} \right)}{\text{Number of issued shares} + \text{Number of shares delivered}}$$

- 2) Rules for use of the exercise price adjustment formula to adjust the exercise price and the timing of the change in the exercise price
  - (a) When the Company’s common stock is provided for a payment that is less than the market price stipulated in 4) (b) (including gratis stock distributions) (Except when the Company’s common stock is provided due to the exercise of subscription rights to shares (including bonds with these rights), the acquisition of stock with acquisition rights or acquisition terms, or the exercise of some other right to receive the Company’s common stock and when the Company’s common stock is provided because of a divestiture, exchange of stock or merger.) The adjusted exercise price will become effective on the payment date (the final subscription date if there is a payment period for a subscription and the effective date if there is a gratis stock distribution) or, if there is a record date for granting rights to shareholders to receive a stock distribution, on the day after this record date.
  - (b) When there is a split of the Company’s common stock  
The adjusted exercise price will become effective on the day after the stock split record date.
  - (c) If the Company issues stock with the right to purchase the Company’s common stock for a payment below the market price stipulated in 4) (b) or if the Company issues subscription rights to shares (including rights attached to bonds) with the right to purchase the Company’s common stock at a price below the market price stipulated in 4) (b) (except when this stock or rights are distributed to the executives or employees of the Company or its related company), the adjusted exercise price will be adjusted using the exercise price adjustment formula. The calculation will assume that all rights of stock with the right to purchase stock were exercised and that all subscription rights to shares were exercised at the original terms. The adjusted exercise price will become effective starting on the payment date (when subscription rights to shares are distributed) or effective date (when there is a gratis stock distribution). However, if there is a record date for shareholders to receive a distribution, the adjusted exercise price will become effective on the day after this record date.
  - (d) If the Company’s common stock is provided at a price below the market price stipulated in 4) (b) in return for the receipt of stock with acquisition terms or stock subscription rights with acquisition terms (including subscription rights attached to bonds) issued by the Company, the adjusted exercise price will become effective on the day after the acquisition date.
  - (e) For all transactions listed in items 2) (a) through (d), when there is a record date for shareholders to receive the right to a stock distribution and when the effectiveness of the transaction requires the approval on or after the corresponding record date of the Company’s shareholders, Board of Directors or other decision-making body, then irrespective of items 2) (a) through (d), the adjusted exercise price will become effective on the day after the approval.  
In this case, holders of subscription rights to shares who exercise these rights will receive the Company’s common stock based on the following formula during the period starting on the day after the record date and ending on the date of approval.

$$\text{Number of shares} = \frac{(\text{Exercise price before adjustment} - \text{Exercise price after adjustment})}{\text{Exercise price after adjustment}} \times \text{Shares provided during the applicable period at the exercise price before adjustment}$$

Exercise price after adjustment

Any fractions of shares resulting from this adjustment will be rounded down and there will be no cash payments for this rounding.

- 3) If the difference between the exercise price before and after adjustment using the exercise price adjustment formula is less than one (1) yen, the exercise price will not be adjusted. However, if there is subsequently an event that requires an exercise of price adjustment, the adjustment will be calculated by replacing the exercise price before adjustment in the formula with the exercise price before adjustment minus this difference.
- 4) Others
  - (a) When using the exercise price adjustment formula, the price is calculated to the one-hundredths place and the one-hundredths place is then rounded up or down.
  - (b) The market price used in the exercise price adjustment formula is the average closing price for the Company's common stock for the 30 trading days (excluding days with no closing price) starting on the 45th trading day prior to day the adjusted exercise price becomes valid (the record date instead in the case of 2) (e)). The price is calculated to the one-hundredths place and the one-hundredths place is then rounded up or down.
  - (c) The number of shares issued that is used in the exercise adjustment formula is as of the record date for an allocation of rights to shareholders if this record date exists. If not, the number of shares of common stock issued as of one month prior to the day the adjusted exercise price becomes valid minus common stock held by the Company on that day is used. For 2) (e), the number of shares delivered that is used in the exercise price adjustment formula does not include the number of the Company's common stock to be allocated to common stock held by the Company on the record date.
- 5) Even when no exercise price adjustment stated in 2) is necessary, the exercise price may be adjusted as needed in any of the following cases.
  - (a) The exercise price must be adjusted because of a reverse stock split, reduction in capital, company divestiture, or an exchange or consolidation of stock
  - (b) The exercise price must be adjusted because of some other event that alters or may alter the number of shares of the Company's common stock
  - (c) Two or more related events occur and the effect of one event must be taken into consideration when determining the market price to be used to calculate the adjusted exercise price resulting from the other event
- 6) When adjusting the exercise price, by no later than the day before the adjusted market price becomes valid, the Company must notify holders of subscription rights to shares in writing of the adjustment and the reason, the exercise price before and after the adjustment, the starting date for the adjusted exercise price and other required information. However, this notification can be made immediately after the start of the adjusted exercise price in the case described in 2) (e) or in other instances where notification by the day before the start of the adjusted exercise price is not possible.

Note 3. Increment of capital stock and legal capital surplus if stock is issued when subscription rights to shares are exercised  
The amount by which the capital will be increased as a result of the issuance of shares upon the exercise of subscription rights to shares shall be the maximum increase in capital to be calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules multiplied by 0.5. Fraction less than one (1) yen resulting from the calculation shall be rounded up. The increase in the legal capital surplus is the maximum increase in capital minus the increase in capital.

Note 4. Other conditions for exercising subscription rights to shares  
If the total number of issued shares would exceed the number of then-authorized shares by the exercise of subscription rights to shares at the time of exercise thereof, said subscription rights to shares cannot be exercised at that time. Partial exercise of the subscription rights to shares is not allowed.

Note 5. Issuance of new subscription rights to shares in the event of a merger, a divestiture, an exchange of stock, and a stock transfer.

In the event of an absorption merger in which the Company is dissolved, a merger in which a new merged company is established and the Company is dissolved, an absorption and divestiture in which the Company is divested, a divestiture in which a new divested company is established, an exchange of stock in which the Company becomes a wholly owned subsidiary, or a stock transfer in which the Company becomes a wholly owned subsidiary ("reorganization event"), any remaining subscription rights to shares immediately prior to the date the reorganization event takes place will be replaced with new subscription rights to shares based on the following terms. The replacement will be made by the remaining company after the absorption merger, the newly established merged company, the remaining divested company after the absorption, the newly established divested company, the parent



company after the exchange of stock or the parent company established after the transfer of stock (“reorganized company”).

1) Number of the subscription rights to shares to be newly granted

Based on the number of subscription rights held by each individual, a reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) right will be rounded down.

2) Class of stock subject to subscription rights to shares to be newly granted

The same class of stock of the reorganized company

3) Calculation of number of shares subject to subscription rights to shares to be newly granted

A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) right will be rounded up.

4) Value of assets to be contributed upon the exercise of the subscription rights to shares to be newly granted

A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) yen will be rounded up.

5) The exercise period of the new subscription rights, additions to capital stock and legal capital surplus when stock is issued upon the exercise of the new rights, reasons for the acquisition of the new rights by the reorganized company, the provision of the new rights when there is a reorganization event, and the subscription right certificates and exercise terms.

To be determined when the reorganization event takes place.

6) Restrictions on the acquisition of subscription rights to shares to be newly granted through transfer

The acquisition of subscription rights to shares to be newly granted through transfer shall require the approval of the Board of Directors of the reorganization company.

As per resolution by the Board of Directors on September 18, 2015

	As of the end of the current fiscal year (As of March 31, 2017)	As of the end of the month preceding the submission date of this report (As of May 31, 2017)
Number of subscription rights to shares (Units)	4,350	4,350
Number of own subscription rights to shares among all subscription rights to shares (Units)	-	-
Class of stock subject to subscription rights to shares	Common stock	Same as on the left.
Number of shares subject to subscription rights to shares (Shares)	4,350,000 (Note 1)	4,350,000 (Note 1)
Amount to be paid upon the exercise of subscription rights to shares (Yen)	67 (Note 2)	Same as on the left.
Exercise period of subscription rights to shares	From July 1, 2016 to October 4, 2023	Same as on the left.
Issue price of stock due to exercise of subscription rights to shares and amount to be incorporated into capital stock (Yen)	Issue price: 67 (Note 3) Amount to be incorporated into capital stock: 33.5 (Note 3)	Same as on the left.
Conditions for exercising subscription rights to shares	(Note 4)	Same as on the left.
Matters pertaining to transfer of subscription rights to shares	The approval of the Board of Directors is required.	Same as on the left.
Matters pertaining to substitute payment	-	-
Matters pertaining to issuance of subscription rights to shares resulting from the reorganization event	(Note 5)	Same as on the left.

Note 1. Class, details and number of shares to be acquired upon exercise of subscription rights to shares

The number of shares to be issued upon exercise of each of subscription rights to shares (hereinafter referred to as the “number of shares granted”) shall be one thousand (1,000).

In the case that the Company carries out a stock split (including the allotment of shares of common stock of the Company without consideration; hereinafter the same shall apply) or consolidation of shares after the date of allotment of subscription rights to shares, the number of shares granted shall be adjusted according to the formula below. However, such adjustment shall be made only to the number of shares to be granted for subscription rights to shares that have not yet been exercised or cancelled at the time of the adjustment. Any amount less than one (1) share arising from the adjustment shall be rounded down to the nearest whole number.

$$\text{Number of shares granted after adjustment} = \text{Number of shares granted before adjustment} \times \text{Ratio of stock split (or stock consolidation)}$$

In addition to the above, if any unavoidable event arises where the number of shares to be issued upon exercise of subscription rights to shares must be adjusted after the date of allotment, the Company may adjust the number of shares

granted as appropriate to the extent deemed reasonable. Any amount less than one (1) share arising from the above adjustment shall be rounded down to the nearest whole number.

Note 2. Adjustment to the exercise price

If the Company carries out a stock split or consolidation of shares, the exercise price shall be adjusted using the following formula, with any amount less than one (1) yen arising from the adjustment rounded up to the nearest yen.

$$\begin{array}{c} \text{Exercise price} \\ \text{after adjustment} \end{array} = \begin{array}{c} \text{Exercise price} \\ \text{before adjustment} \end{array} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

If, after the date of allotment of subscription rights to shares, the Company issues new shares of common stock or disposes of its treasury shares of common stock at a price below the market price of its common stock (excluding issuance of new shares and disposal of treasury shares upon the exercise of subscription rights to shares, and transfer of treasury shares in exchange of shares), the exercise price shall be adjusted using the following formula, with any amount less than one (1) yen arising from the adjustment rounded up to the nearest yen.

$$\begin{array}{c} \text{Exercise price} \\ \text{after} \\ \text{adjustment} \end{array} = \begin{array}{c} \text{Exercise price} \\ \text{before} \\ \text{adjustment} \end{array} \times \frac{\begin{array}{c} \text{Number} \\ \text{of issued shares} \end{array} + \frac{\begin{array}{c} \text{Number of newly} \\ \text{issued shares} \end{array} \times \begin{array}{c} \text{Amount to be paid} \\ \text{per share} \end{array}}{\begin{array}{c} \text{Market price before issuing new shares} \end{array}} \\ \frac{\begin{array}{c} \text{Number of issued shares} \end{array} + \begin{array}{c} \text{Number of newly issued shares} \end{array}}$$

In the formula above, the “number of issued shares” denotes the number of shares of common stock of the Company already issued, less the number of treasury shares of common stock of the Company. If the Company disposes of its treasury shares of common stock, the “number of newly issued shares” shall be replaced with the “number of treasury shares to be disposed of.”

Furthermore, other than the above, if the Company carries out a merger, a company split, or other similar events that require adjustment of the exercise price, the Company may adjust the exercise price as appropriate to the extent deemed reasonable.

Note 3. Amount to be accounted for as capital stock out of the issue price when shares are issued upon exercise of subscription rights to shares

- 1) The amount of an increase in capital stock when new shares are issued upon the exercise of subscription rights to shares shall be 50% of the maximum limit of such capital increase calculated in accordance with Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction shall be rounded up to the nearest yen.
- 2) The amount of an increase in legal capital surplus when new shares are issued upon exercise of subscription rights to shares shall be the maximum limit of such capital increase as described in 1) above, less the amount of an increase in capital stock as stipulated in 1) above.

Note 4. Condition for exercise of subscription rights to shares

- 1) A person to whom subscription rights to shares have been allotted (hereinafter referred to as a “holder of subscription rights to shares”) may exercise the number of subscription rights to shares out of the allotted number based on the percentage specified in each of (a) to (c) below during the exercise period only when the Company’s operating profit has reached the amount shown below. These operating profit figures have been set according to the Company’s performance goals. To determine the operating profit, figures in the consolidated statement of income included in the Company’s Securities Reports (*Yukashoken Hokokusho*) for the periods between the fiscal years ended March 31, 2016 and ending March 31, 2023 shall be referred to. Should there be any material change in the concept of operating profit to be referred to due to the change of applicable accounting standards or any other factors, the Company shall specify at its Board of Directors meeting another appropriate performance indicator to the extent deemed reasonable. Any fraction less than one (1) right that may be exercised shall be rounded down to the nearest whole number.
  - (a) 30% of the allotted number may be exercised when operating profit has exceeded 130 million yen, except when the exercise becomes mandatory under the condition described in 2) below.
  - (b) 60% of the allotted number may be exercised when operating profit has exceeded 150 million yen, except when the exercise becomes mandatory under the condition described in 2) below.
  - (c) 100% of the allotted number may be exercised when operating profit has exceeded 200 million yen, except when the exercise becomes mandatory under the condition described in 2) below.
- 2) If the average closing price (including indicated prices; average excludes days with no closing price, but the Board of Directors can make adjustments as described in the above Note 2) of the Company’s common stock for ordinary trading on financial instrument exchanges where this stock is listed over any five-day period between the allocation date and end of the exercise period, including both of these days, is less than 30% of the exercise price at that time (the exercise price is adjusted as needed by the Board of Directors as described in the above Note 2), holders of subscription rights to shares must exercise all remaining rights by the end of the exercise period at the exercise price (but the Board of Directors can make adjustments as described in the above Note 2). However, this requirement does not apply in the following cases.
  - (a) When significant false or fraudulent information has been discovered in information disclosed by the Company

- (b) The discovery that the Company has failed to properly announce a significant fact that should have been disclosed in accordance with laws and regulations or the rules of a financial instruments exchange where the Company's stock is listed
  - (c) When the Company's stock is delisted, the Company becomes insolvent or there is some other major change involving an item used as a premise when the subscription rights to shares were issued
  - (d) When there is any other event that can be viewed objectively as a detrimental act by the Company regarding the trust of subscription right holders.
- 3) If the total number of issued shares would exceed the number of then-authorized shares by the exercise of subscription rights to shares at the time of exercise thereof, said subscription rights to shares cannot be exercised at that time.
  - 4) The partial exercise of an individual subscription right to shares is not allowed.
  - 5) This subscription rights to shares may not be exercised by an heir to a holder thereof.

Note 5. Handling of subscription rights to shares when a reorganization event takes place

In the event of an absorption merger in which the Company is dissolved, a merger in which a new merged company is established and the Company is dissolved, an absorption and divestiture in which the Company is divested, a divestiture in which a new divested company is established, an exchange of stock in which the Company becomes a wholly owned subsidiary, or a stock transfer in which the Company becomes a wholly owned subsidiary ("reorganization event"), any remaining subscription rights to shares immediately prior to the date the reorganization event takes place will be replaced with new subscription rights to shares based on the following terms. The replacement will be made by the remaining company after the absorption merger, the newly established merged company, the remaining divested company after the absorption, the newly established divested company, the parent company after the exchange of stock or the parent company established after the transfer of stock ("reorganized company").

- 1) The number of subscription rights to shares to be delivered by a reorganized company  
Based on the number of subscription rights held by each holder, a reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) right will be rounded down.
- 2) The class of shares in the reorganized company to be acquired upon exercise of subscription rights to shares  
The same class of stock of the reorganized company
- 3) The method of calculating the number of shares of the reorganized company to be acquired upon exercise of subscription rights to shares  
A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) share will be rounded up.
- 4) Values of properties invested when subscription rights to shares are exercised  
A reasonable adjustment will be made that reflects the terms of the reorganization event and other factors. Any resulting fraction of one (1) yen will be rounded up.
- 5) The exercise period of the new subscription rights, additions to capital stock and legal capital surplus when stock is issued upon the exercise of the new rights, reasons for the acquisition of the new rights by the reorganized company, the provision of the new rights when there is a reorganization event, and the subscription right certificates and exercise terms.  
To be determined when the reorganization event takes place.
- 6) Restrictions on the acquisition of subscription rights to shares through transfer  
The acquisition of subscription rights to shares to be newly granted through transfer shall require the approval of the Board of Directors of the reorganized company.
- 7) Other conditions shall be determined in the same manner as those for the reorganized company.

- (3) Exercises, etc. of Moving Strike Convertible Bonds, etc.  
There is no applicable information.

- (4) Description of Rights Plan  
There is no applicable information.

(5) Changes in the Number of Issued Shares, Stated Capital, etc.

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Thousands of yen)	Balance of capital stock (Thousands of yen)	Change in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
March 15, 2013 (Note 1)	6,000,000	80,330,896	57,000	1,371,406	57,000	57,000
From April 1, 2013 to March 31, 2014 (Note 2)	3,225,000	83,555,896	32,015	1,403,421	32,015	89,015
November 4, 2014 (Note 3)	2,200,000	86,180,896	101,200	1,510,609	101,200	196,203
From April 1, 2014 to March 31, 2015 (Note 2)	2,975,000	88,730,896	74,052	1,578,674	74,052	264,268
From April 1, 2016 to March 31, 2017 (Note 2)	140,000	88,870,896	3,742	1,582,416	3,742	268,010

Notes:

1. Third-party allocation Allottee: Ryoichi Hayakawa  
Issue price: 19 yen  
Amount to be incorporated into capital stock: 9.5 yen
2. The increase in the number of shares and amounts is due to exercise of the subscription rights to shares.
3. Third-party allocation Allottees: Ryoichi Hayakawa, Kazuna Fukumitsu, Hong Kong Dewei Enterprise Group Holdings Limited  
Issue price: 92 yen  
Amount to be incorporated into capital stock: 46.0 yen
4. At the Ordinary General Shareholders' Meeting held on June 22, 2017, the Company resolved to decrease the legal capital surplus by 173,267 thousand yen to cover the deficit.

(6) Shareholding by Shareholder Category

As of March 31, 2017

Category	Details of shareholders (one unit share represents 1,000 shares)								Number of shares less than one unit share (Shares)
	Government agencies and public institutions	Financial institutions	Financial instruments traders	Other entities	Foreign entities, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	-	1	38	29	22	17	5,335	5,442	-
Number of shares held (Units)	-	2,358	2,768	17,743	2,267	544	63,137	88,817	53,896
Shareholding percentage (%)	-	2.65	3.12	19.98	2.55	0.61	71.09	100.00	-

Notes:

1. Treasury shares of 26,098 shares are included in "Individuals and others" and "Number of shares less than one unit share" in terms of 26 units and 98 shares, respectively.
2. One unit of shares under the name of Japan Securities Depository Center, Inc., is included in "Other entities" above.

## (7) Major Shareholders

As of March 31, 2017

Name	Address	Number of shares held (Thousand shares)	Holding ratio to total number of issued shares (%)
ShinkoShien ILP	2-8 Kandasuda-cho, Chiyoda-ku, Tokyo	15,297	17.21
Ryoichi Hayakawa	Kitasaku-gun, Nagano	4,839	5.45
Japan Securities Finance Co., Ltd.	1-2-10 Nihombashi-Kayabacho, Chuo-ku, Tokyo	2,358	2.65
Japan Silber Fleece Co., Ltd.	1-21-4 Minamihorie, Nishi-ku, Osaka-shi, Osaka	1,406	1.58
Kazuna Fukumitsu	Nishinari-ku, Osaka-shi, Osaka	1,300	1.46
Monex, Inc.	1-12-32 Akasaka, Minato-ku, Tokyo	1,002	1.13
Fumio Yamamoto	Sakai-shi, Fukui	701	0.79
Kenichiro Nakatani	Numazu-shi, Shizuoka	700	0.79
Ikuyo Morikawa	Kadoma-shi, Osaka	690	0.78
Koji Ozawa	Nogata-shi, Fukuoka	625	0.70
Total	-	28,918	32.54

## (8) Voting Rights

### 1) Issued shares

As of March 31, 2017

Classification of shares	Number of shares (Shares)	Number of voting rights (Units)	Remarks
Shares without voting rights	-	-	-
Shares with limited voting rights (treasury shares, etc.)	-	-	-
Shares with limited voting rights (others)	-	-	-
Shares with full voting rights (treasury shares, etc.)	Common stock 26,000	-	-
Shares with full voting rights (others)	Common stock 88,791,000	88,791	-
Shares less than one unit share	Common stock 53,896	-	-
Total number of issued shares	88,870,896	-	-
Voting rights of total shareholders	-	88,791	-

Note: The common stock indicated in “Shares with full voting rights (others)” includes 1,000 shares (Number of voting rights: 1) of unknown holders’ stock registered under the name of Japan Securities Depository Center, Inc.

### 2) Treasury shares, etc.

As of March 31, 2017

Owner’s name or title	Owner’s address	Number of treasury shares in own name (Shares)	Number of treasury shares in the names of others (Shares)	Total number of shares owned (Shares)	Holding ratio to total number of issued shares (%)
Striders Corporation	5-13-5, Shimbashi, Minato-ku, Tokyo	26,000	-	26,000	0.03
Total	-	26,000	-	26,000	0.03

## (9) Details of Employee Share Option Program

There is no applicable information.

## 2. Acquisitions, etc. of Treasury Shares

[Classes of shares, etc.] Common stock

(1) Acquisitions by Resolution of Shareholders' Meeting

There is no applicable information.

(2) Acquisitions by Resolution of Board of Directors' Meeting

There is no applicable information.

(3) Acquisitions Not Based on Resolution of Shareholders' Meeting or Board of Directors' Meeting

There is no applicable information.

(4) Disposals or Holding of Acquired Treasury Shares

Classification of shares	Current fiscal year		Period for acquisition	
	Number of shares (Shares)	Total amount of disposition (Yen)	Number of shares (Shares)	Total amount of disposition (Yen)
Treasury shares offered for acquisition	-	-	-	-
Treasury shares canceled for disposition	-	-	-	-
Transferred treasury shares in connection with merger, share exchange or corporate divestiture	-	-	-	-
Others (-)	-	-	-	-
Number of treasury shares held	26,098	-	26,098	-

## 3. Dividend Policy

An early resumption of dividend payments is one of the highest priorities of the Company and numerous actions are being taken to improve and stabilize sales and earnings. The policy for the dividend is to make a decision that reflects all applicable factors while taking into account results of operations, market conditions and the need to retain earnings to strengthen business operations over the medium and long term.

The Company has a fundamental policy of paying an interim dividend and a year-end dividend. Shareholders determine the year-end dividend at the annual meeting and the Board of Directors determines the interim dividend.

Furthermore, the Articles of Incorporation of the Company allow for the payment of an interim dividend with a record date of September 30 based on a resolution by the Board of Directors.

## 4. Historical Records of Share Price

(1) Highest and Lowest Share Price of Each Fiscal Year in Last Five Years

Term	49th Period	50th Period	51st Period	52nd Period	53rd Period
Fiscal year-end	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Highest (Yen)	33	94	134	106	91
Lowest (Yen)	14	19	47	56	45

Note: The highest and lowest share prices were at the Jasdaq (standard) market of the Tokyo Stock Exchange since July 16, 2013. Before that date, prices were at the Jasdaq (standard) market of the Osaka Securities Exchange.

(2) Highest and Lowest Share Price of Each Month in Last Six Months

Month	October 2016	November	December	January 2017	February	March
Highest (Yen)	80	87	91	87	86	76
Lowest (Yen)	69	65	71	73	71	67

Note: The highest and lowest share prices were at the Jasdaq (standard) market of the Tokyo Stock Exchange.

## 5. Information about Officers

8 males, 0 females (Pct. of female officers -%)

Official title	Position title	Name	Date of birth	Brief career history	Term of office	Number of the company shares held (Thousand shares)
President and Chief Executive Officer	CEO	Ryoichi Hayakawa	January 9, 1955	<p>April 1977 Joined The Long-Term Credit Bank of Japan (current Shinsei Bank, Limited)</p> <p>September 1995 Councilor of Asia Department of The Long-Term Credit Bank of Japan</p> <p>November 1998 General Manager of Management Planning Office of Nippon Computer Systems Corp.</p> <p>February 2007 Director of the Company</p> <p>April 2007 Representative Director of VLR Co., Ltd. (current M&amp;A Global Partners Co., Ltd.) (current)</p> <p>February 2009 Director of Trust Advisers Corporation (current)</p> <p>June 2009 Representative Director of the Company (current)</p> <p>March 2012 Director of Mobile Link Inc. (current)</p> <p>May 2012 Director of Y.K. Masuda Seimen (current)</p> <p>December 2012 Representative Director of Global Holdings Co., Ltd. (current)</p> <p>March 2013 Representative Director of Narita Gateway Hotel Co., Ltd. (current)</p> <p>June 2014 Representative Director of Kurashiki Royal Art Hotel Co., Ltd. (current)</p>	Note 3	4,839
Managing Director	CFO	Yoshiyuki Wakahara	February 13, 1976	<p>April 1999 Joined Fujitsu Limited</p> <p>July 2001 Joined Future System Consulting, Inc. (current Future Architect, Inc.)</p> <p>March 2007 Joined Deloitte Touche Tohmatsu (current Deloitte Touche Tohmatsu LLC)</p> <p>October 2011 Registered as Certified Public Accountant</p> <p>November 2011 Joined BayCurrent Consulting, Inc.</p> <p>February 2012 Joined the Company</p> <p>October 2014 General Manager of Administrative Division of the Company</p> <p>March 2015 Corporate Auditor of Shin-Kong Mobilelink co., Ltd. (current)</p> <p>June 2015 CFO, Managing Director of the Company (current)</p>	Note 3	1
Director		Koichi Miyamura	December 21, 1976	<p>April 1999 Joined Yuto K.K.</p> <p>August 1999 Joined Shoco Sangyo Co., Ltd.</p> <p>January 2005 Joined S-fit Co., Ltd.</p> <p>April 2005 Joined S-GRANT Co., Ltd.</p> <p>December 2008 Director of S-GRANT Advisors Co., Ltd. (current Trust Advisers Corporation)</p> <p>June 2012 Director of the Company (current)</p> <p>March 2014 Representative Director of Tokyo Apartment Guaranty Corporation (current)</p> <p>June 2014 Representative Director of Trust Advisers Corporation (current)</p>	Note 3	10
Director	General Manager of Business Planning Division	Ryotaro Hayakawa	June 22, 1983	<p>April 2008 Joined ORIX Corporation</p> <p>June 2014 Director and General Manager of Management Planning Office of the Company</p> <p>October 2014 Director of Mobile Link Inc. (current)</p> <p>October 2014 Director of Kurashiki Royal Art Hotel Co., Ltd. (current)</p> <p>March 2015 Director of Shin-Kong Mobilelink co., Ltd. (current)</p> <p>April 2016 General Manager of Business Planning Division, Director of the Company (current)</p> <p>June 2016 Director of Trust Advisers Corporation (current)</p>	Note 3	41

Official title	Position title	Name	Date of birth	Brief career history		Term of office	Number of the company shares held (Thousand shares)
Director		Yasushi Suzuki	February 24, 1963	April 1986 July 1995 November 1996 August 1999 March 2000 June 2001 March 2002 April 2004 April 2008 June 2015	Joined The Long-Term Credit Bank of Japan (current Shinsei Bank, Limited) General Manager of Sales Department of the Indonesia Office, The Long-Term Credit Bank of Japan Deputy Branch Manager of the Singapore Branch, The Long-Term Credit Bank of Japan Deputy General Manager of the New York Branch, The Long-Term Credit Bank of Japan Senior Economist of the Institute for Social and Economic Infrastructure Systems (posted in London) Financial Advisor of AntFactory Inc. (U.K.) Associate Professor of the Department of Management Systems, Kanazawa Institute of Technology Associate Professor of the College of Asia Pacific Studies, Ritsumeikan Asia Pacific University Professor of the College of International Management, Ritsumeikan Asia Pacific University (current) Director of the Company (current)	Note 3	6
Full-time Corporate Auditor		Ikuo Yoshizawa	January 28, 1952	April 1976 March 1992 September 2000 April 2004 April 2007 April 2008 June 2012 January 2013 June 2014 October 2014 October 2014 October 2014 October 2014 June 2015 March 2016	Joined Kokusai Denshin Denwa Co., Ltd. (current KDDI Corp.) Manager, in-charge of Sales Division of Kokusai Denshin Denwa Co., Ltd. Manager of Investigation of KDD Research Institute, Inc. (current KDDI Research Institute, Inc.) External assignment to Research Institute of Telecommunications and Economics, Foundation for Multi-Media Communications External assignment to KDDI Engineering and Consulting, Inc. Assignment to Nonprofit Organization (NPO) ITS Japan Full-time Corporate Auditor of the Company (current) Corporate Auditor of Mobile Link Inc. (current) Corporate Auditor of Kurashiki Royal Art Hotel Co., Ltd. (current) Corporate Auditor of Trust Advisers Corporation (current) Corporate Auditor of Y.K. Masuda Seimen (current) Corporate Auditor of Global Holdings Co., Ltd. (current) Corporate Auditor of Narita Gateway Hotel Co., Ltd. (current) Corporate Auditor of M&A Global Partners Co., Ltd. (current) Corporate Auditor of Tokyo Apartment Guaranty Corporation (current)	Note 4	312



Official title	Position title	Name	Date of birth	Brief career history		Term of office	Number of the company shares held (Thousand shares)
Corporate Auditor		Nobuyuki Kobayashi	March 22, 1950	<p>May 1977 January 1983</p> <p>March 1985</p> <p>July 1985</p> <p>July 1988 October 2000</p> <p>September 2006</p> <p>June 2007 January 2008 August 2014</p>	<p>Registered as Certified Public Accountant Joined Chuo Accounting Office (changed the company name to Misuzu Audit Corp.) Corporate Auditor of Osaka Motor Technology Co., Ltd (current) Partner of Chuo Accounting Office (Misuzu Audit Corp.) Senior Partner of Chuo Accounting Office Manager of Examination, Business Operations Division, Chuo Accounting Office Joined BDO Toyo &amp; Co. Examination Department Corporate Auditor of the Company (current) Senior Partner of BDO Toyo &amp; Co. (current) Chairman of BDO Toyo &amp; Co. (current)</p>	Note 4	-
Corporate Auditor		Ayumu Kuniyoshi	October 22, 1972	<p>October 2000</p> <p>October 2000 June 2006</p> <p>December 2010</p> <p>December 2015</p>	<p>Registered as an attorney Joined Asuka Law Office Corporate Auditor of the Company (current) Established Forest Walk Law Office as Representative (current) Director of SINCERE Corporation (current)</p>	Note 4	256
Total							5,465

- Notes: 1. Director Yasushi Suzuki is an outside director.  
2. Corporate Auditors Ikuo Yoshizawa, Nobuyuki Kobayashi and Ayumu Kuniyoshi are outside corporate auditors.  
3. The term of office is two years from the conclusion of the Ordinary General Shareholders' Meeting held on June 22, 2017.  
4. The term of office is four years from the conclusion of the Ordinary General Shareholders' Meeting held on June 24, 2015.  
5. Director Ryotaro Hayakawa is the first son of Ryoichi Hayakawa, the President and Chief Executive Officer of the Company.

## 6. Explanation about Corporate Governance, etc.

### (1) Explanation about Corporate Governance

#### (Fundamental approach to corporate governance)

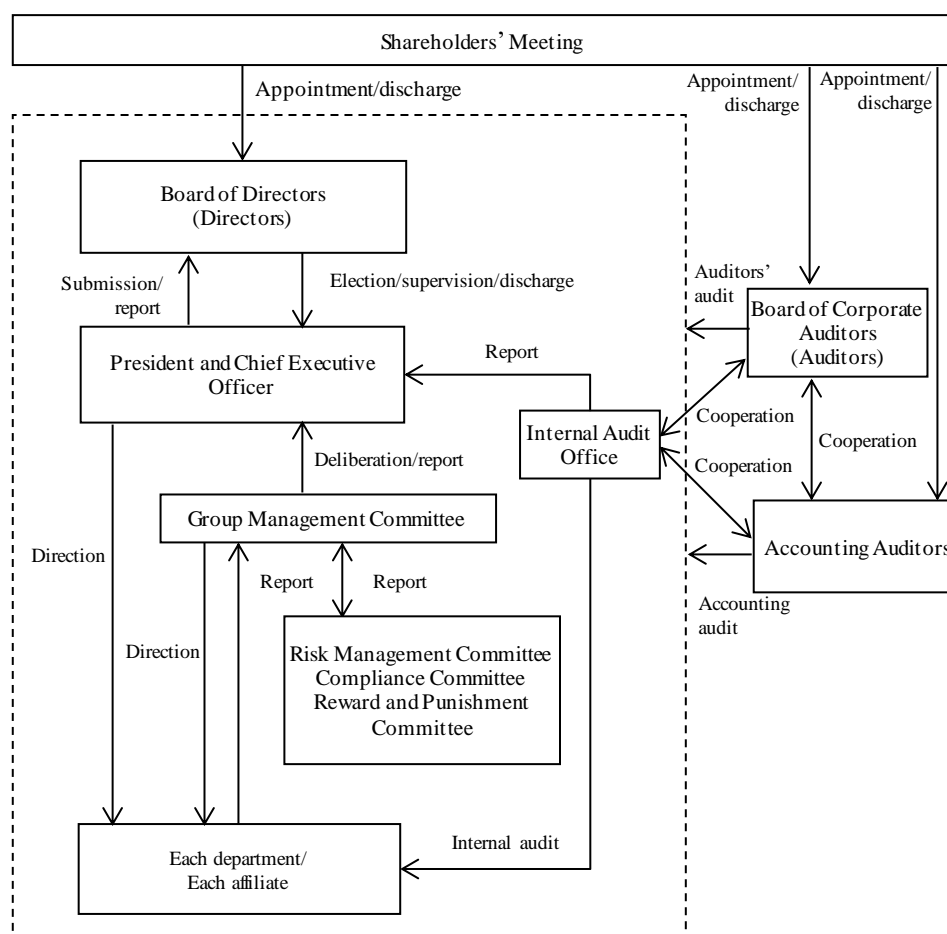
The Striders Group considers important the safeguarding of shareholders' interests and maximization of corporate value while maintaining a balance among the interests of individuals associated with the Company. To this end, the Company recognizes the creation and further strengthening of the corporate governance system as a management issue. The Company uses objective checks of management to ensure transparency and maintain the soundness and fairness of management. To perform these checks, the Company uses the deliberating function of the Board of Directors, the auditing function of the corporate auditors, the division of responsibilities within the Company, and other measures.

#### 1) Corporate governance structure

##### (a) Outline of corporate governance structure

The Company is a company with corporate auditors. Corporate institutions include the Board of Directors, which is the decision-making and supervisory unit for matters concerning management policy and other important items. The Board of Corporate Auditors is the audit institution.

The following diagram shows the structure of the corporate governance system.



(b) Reason for using this structure

The Company believes externally objective and neutral management supervisory functions to be important to a corporate governance system that facilitates swift management decisions, highly transparent management and a strong management supervisory function. The Company has adopted this structure, as it considers optimal a system with a Board of Directors including outside directors and under which outside corporate auditors supervise and audit business execution.

(c) Other items concerning corporate governance

Explanations of internal control system

As the cornerstone of the Company's internal control system, the president and representative director promotes the creation, maintenance and enhancement of the internal control system. To put in place and maintain the compliance structure, the president and representative director appoints as executing organizations a person in charge of internal auditing and a person in charge of legal compliance.

Explanations of risk management system

The Company's risk management system involves establishing regulations for the director in charge of risk management, Risk Management Committee regulations and other regulations, determining personnel responsible for individual risks, and configuring a risk management system in accordance with these regulations.

Development status of a system for ensuring the appropriate operation of subsidiaries

To ensure the appropriate operation of subsidiaries, the Company has formulated regulations for the management of affiliated companies as behavioral guidelines that apply to all group companies. Individual group companies establish regulations based on these guidelines.

(d) Overview of content of limited liability contracts

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has contracts with its outside directors and corporate auditors that provide the greatest possible limit to their liability as stated in Article 423, Paragraph 1 of the Companies Act. The monetary liability limit in these contracts is the amounts prescribed by laws and regulations for outside directors and corporate auditors.

(e) Summary of limited liability contract with the accounting auditors

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has a contract with Aria Audit Corporation, which is the Company's accounting auditor. The contract provides the greatest possible limit to liability as stated in Article 423, Paragraph 1 of the Companies Act. The liability limit in such contracts shall be set at the amount as stipulated by laws and regulations.

2) Internal audits and audits by corporate auditors

The Company has established an Internal Audit Office, which is independent of departments involved with business activities and under the direct control of the president and representative director. In liaison with the Board of Corporate Auditors, this office examines the compliance, risk management and accounting activities of organizational units within the Company and the entire Group with respect to the legality and the suitability of how they conduct operations and provide suggestions for improvement. In addition, to strengthen internal controls, audits examine the status of internal control systems and provide suggestions for improvements.

Corporate auditors perform regular audits. For specific issues involving management and accounting, they liaise with the Internal Audit Office and the accounting auditor to enhance audit effectiveness and efficiency. Corporate auditors have considerable knowledge of finance, accounting and legal matters. For example, these auditors have extensive business expertise due to many years of experience in the communications and IT industries, are certified public accountants or attorneys, or have other experience or qualifications.

3) Accounting audit

(a) Names of certified public accountants who executed the audit, the name of the audit corporation and

consecutive years of audit experience

Names of certified public accountants (CPA) who executed the audit	Name of audit corporation
Representative: Designated Partner and Managing Partner Hidetoshi Motegi	Aria Audit Corporation
Representative: Designated Partner and Managing Partner Yasuyuki Yamanaka	Aria Audit Corporation

Note: The number of consecutive years of audit experience has been omitted because it is less than seven years for both CPAs.

(b) Details of audit assistants

Certified public accountants: 2 Others: 5

4) Outside director and outside corporate auditors

(a) Number of outside director and outside corporate auditors

The Company has one outside director and three outside corporate auditors as of the submission date of this report.

(b) Personal, financial, business and other significant relationships with outside directors and outside corporate auditors

Outside director Yasushi Suzuki is a professor of the College of International Management at Ritsumeikan Asia Pacific University. There is no significant relationship between the Company and this university.

Outside corporate auditor Ikuo Yoshizawa is a corporate auditor of the following subsidiaries of the Company: Trust Advisers Corporation, Mobile Link Inc., Y.K. Masuda Seimen, Narita Gateway Hotel Co., Ltd., Kurashiki Royal Art Hotel Co., Ltd., Tokyo Apartment Guaranty Corporation and M&A Global Partners Co., Ltd.

Outside corporate auditor Nobuyuki Kobayashi is a chairman of BDO Toyo & Co. and an outside corporate auditor of Osaka Motor Technology Co., Ltd. There is no significant relationship between the Company and either of these entities.

Outside corporate auditor Ayumu Kuniyoshi is the representative of Forest Walk Law Office and an outside director of SINCERE Corporation. There is no significant relationship between the Company and either of these entities.

In addition, as of the date this report was submitted, the Company stock holdings of one outside director and two outside corporate auditors were as follows.

Outside director:	Yasushi Suzuki	6 thousand shares
Outside corporate auditor:	Ikuo Yoshizawa	312 thousand shares
Outside corporate auditor:	Ayumu Kuniyoshi	256 thousand shares

(c) Functions and roles of outside directors and outside corporate auditors from the standpoint of corporate governance

Outside director Yasushi Suzuki has considerable experience and specialized knowledge due to his position as a university professor. He was selected as an outside director mainly to provide valuable advice concerning investments in Asia as well as other subjects.

The outside corporate auditors were selected for the following reasons. Ikuo Yoshizawa uses many years of experience as a corporate executive and knowledge covering a broad range of fields to oversee management and provide suitable suggestions. Nobuyuki Kobayashi, who is a certified public accountant, has considerable expertise involving corporate accounting and legal affairs. Mr. Kobayashi's knowledge about the oversight of corporate management is incorporated in auditing activities. Ayumu Kuniyoshi has specialized knowledge as an attorney that is incorporated in auditing activities.

(d) Standards and policy for independence of the outside director and outside corporate auditors

The Company has established the following standards for the selection independent outside directors and corporate auditors. The Company selects one outside director and three outside corporate auditors who are independent of the Company to fulfill the role of ensuring that corporate governance functions effectively from the standpoint of protecting ordinary shareholders with no risk of conflicts of interest

with these shareholders. The names of the outside director and corporate auditors are submitted to the Tokyo Stock Exchange.

- i. No past experience as a director or corporate auditor or employee (including corporate officer) of the Company and no receipt of executive compensation, salaries or advisory fees
- ii. Expertise involving corporate management
- iii. No significant monetary relationship or interest with the Company
- iv. Ability to attend the regular meetings of the Board of Directors

(e) Stance regarding the selection of outside directors and outside corporate auditors

The Company selects outside directors and outside corporate auditors based on their corporate management experience and knowledge and involvement in various industries, specialized knowledge and auditing experience and knowledge as a certified public accountant, and specialized knowledge and viewpoint based on experience and knowledge as an attorney.

(f) Oversight, audits and internal audits by outside directors and outside corporate auditors, audits by corporate auditors, mutual cooperation with the accounting auditor, and relationship with internal controls departments

The outside director uses his extensive experience and specialized knowledge to make appropriate statements at meetings of the Board of Directors. This director supervises management and fulfills a checking function from this individual's independent perspective.

The outside corporate auditors make appropriate statements at meetings of the Board of Directors based on their specialized knowledge and objective perspective. By cooperating with the Internal Audit Office, which is independent of departments involved with business activities, the outside corporate auditors verify the suitability of compliance, risk management and accounting activities of organizational units and the entire group as well as examine the suitability of business processes and make suggestions for improvements. Regarding the relationship with the accounting auditor, there are measures for upgrading audits performed by corporate auditors. For example, there are regular audits and regular exchanges of information and opinions as well as requests for more effective collaboration with the Board of Corporate Auditors.

5) Remuneration paid to executives

(a) Compensation for executives (with separate data for outside directors and outside corporate auditors)

Category	Individuals	Annual remuneration (Thousands of yen)
Directors (of which outside directors)	5 (1)	29,550 (1,800)
Corporate Auditors (of which outside corporate auditors)	3 (3)	8,400 (8,400)

Notes: 1. Compensation for directors does not include salaries paid to directors who are also employees of the Company.

2. The amount of remuneration to be paid to directors was approved at the 24th Ordinary General Shareholders' Meeting held on October 28, 1988, as no more than 80,000 thousand yen per year (do not include the employee salaries of directors who serve concurrently as employees).

3. The amount of remuneration to be paid to corporate auditors was approved at the 24th Ordinary General Shareholders' Meeting held on October 28, 1988, as no more than 15,000 thousand yen per year.

4. In the fiscal year ended in March 2017, there were no bonuses for directors.

5. In the fiscal year ended in March 2017, there was no director or corporate auditor compensation for outside directors and outside corporate auditors who also serve in any of these roles at a subsidiary from a subsidiary.

6. The Company had five directors (including one outside director) and three corporate auditors (all outside corporate auditors) as of March 31, 2017. There is one director who receives no compensation.

- (b) Policy concerning determination of the amount or calculation method of compensation, etc., of executives  
There is no applicable information.

6) Shareholding status

- (a) Number of stock brands and total amount posted in the balance sheet of the investment stocks of which the purpose of holding is other than pure investment purposes  
2 stock brands, 28,784 thousand yen

- (b) Category of holding, stock brand, number of shares, amount posted in the balance sheet and purpose of holding of the investment stocks of which the purpose of holding is other than pure investment purposes

FY3/16

Specified Investment Stocks

Stock brand	Number of shares (Shares)	Amount in consolidated balance sheet (Thousands of yen)	Purpose of holding
Chuo Senko (Thailand) Public Company Limited	3,420,000	54,330	To strengthen and maintain a business relationship

FY3/17

Specified Investment Stocks

Stock brand	Number of shares (Shares)	Amount in consolidated balance sheet (Thousands of yen)	Purpose of holding
Chuo Senko (Thailand) Public Company Limited	3,420,000	6,689	To strengthen and maintain a business relationship
Smart Metro Private Limited	150	22,095	To strengthen and maintain a business relationship

- (c) Total amounts posted in the balance sheet for the previous and current fiscal years, as well as the total amounts of dividend income, sales gain/loss and valuation gain/loss for the current fiscal year, of the investment stocks of which the purpose of holding is pure investment

Category	FY3/16 (Thousands of yen)	FY3/17 (Thousands of yen)			
	Total amount in the balance sheet	Total amount in the balance sheet	Total amount of dividend income	Total amount of gain/loss on sales	Total amount of valuation gain/loss
Non-listed shares	48	48	-	-	Note 1

Note 1: Total amount of valuation gain/loss is not presented because non-listed shares have no market price and their fair value is deemed to be extremely difficult to be determined.

7) Number of directors

The Company's Articles of Incorporation state that the maximum number of directors is 10.

8) Requirements for resolutions for election of directors

As stated in the Company's Articles of Incorporation, resolutions for the election of directors require the participation of shareholders representing at least one-third of all voting rights of shareholders entitled to vote and a candidate must receive a majority of the votes cast. Furthermore, the Articles of Incorporation prohibit cumulative voting.

9) Resolution matters that can be approved by the Board of Directors without approval at the Shareholders' Meeting

(a) Exemption of liabilities of directors

Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation to exempt the liabilities of Directors (including persons who were previously directors) provided in Article 423, Paragraph 1, of the same act by a resolution of the Board of Directors within the scope legally allowed by applicable laws and regulations.

(b) Exemption of liabilities of corporate auditors

Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation to exempt the liabilities of corporate auditors (including persons who were previously corporate auditors) provided in Article 423, Paragraph 1, of the same act by a resolution of the Board of Directors within the scope legally allowed by applicable laws and regulations.

(c) Determination of interim dividends

Pursuant to Article 454, Paragraph 5 of the Companies Act concerning the payment of an interim dividend from retained earnings, the Company's Articles of Incorporation state that the Board of Directors can approve an interim dividend each year with a record date of September 30 without the approval of a resolution at the Shareholders' Meeting. Designating the Board of Directors as the unit to reach decisions for the interim dividend facilitates the rapid and flexible distribution of earnings to shareholders based on the Company's business climate and results of operations.

10) Requirements for extraordinary resolutions at Shareholders' Meetings

The resolutions provided in Article 309, Paragraph 2 of the Companies Act shall be made by two-thirds or more of the votes of shareholders present at the Shareholders' Meeting where the shareholders holding one-third or more of the voting rights of shareholders entitled to exercise their votes at such meeting are present. The purpose of this provision is to run Shareholders' Meetings smoothly, by relaxing the quorum requirement for extraordinary resolutions at the Shareholders' Meetings.

(2) Details of Audit Fee, etc.

1) Details of remuneration to independent auditors

Category	FY3/16		FY3/17	
	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)
Reporting company	10,500	-	10,500	-
Consolidated subsidiaries	-	-	-	-
Total	10,500	-	10,500	-

2) Other material remuneration to independent auditors

FY3/16

There is no applicable information.

FY3/17

There is no applicable information.

3) Details of non-audit services rendered by independent auditors

FY3/16

There is no applicable information.

FY3/17

There is no applicable information.

4) Policy on determining audit fee

The audit fee is determined with the consent of the representative director and Board of Corporate Auditors after taking into account the size and characteristics of the Company's business activities, the number of days required for auditing, and other factors.

## **Section 5. Financial Information**

### **1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements**

(1) The consolidated financial statements of the Company are prepared in accordance with the “Regulations Concerning the Terminology, Form, and Method of Preparing Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the “Regulations Concerning the Terminology, Form, and Method of Preparing Financial Statements” (Ministry of Finance Ordinance No. 59, 1963) (hereinafter the “Regulations for Non-consolidated Financial Statements”).

The Company is subject to prepare the financial statements in accordance with special provision pursuant to Article 127 of the Regulations for Non-consolidated Financial Statements.

### **2. Audit Certificate**

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the financial statements for the consolidated fiscal year (from April 1, 2016 to March 31, 2017) and the non-consolidated fiscal year (from April 1, 2016 to March 31, 2017) have been audited by Aria Audit Corporation.

### **3. Special Approaches to Secure the Appropriateness of the Consolidated Financial Statements, etc.**

(1) The Company uses the following framework to ensure appropriateness of financial reports.

- 1) To create a framework for the suitable implementation of internal controls for financial reports, a policy for internal controls and other items has been established.
- 2) To ensure the suitability of financial reports, the Internal Audit Office has been established to oversee internal controls.
- 3) The Internal Audit Office uses audits, meetings, directives and other measures involving group companies for the purpose of submitting guidance so that group companies operate properly and in compliance with laws, regulations and rules. This office works with the Accounting Department to establish an infrastructure for ensuring that financial reports are accurate and reliable.

(2) As one step to ensure the suitability of consolidated financial statements and other financial reports, the Company belongs to the Financial Accounting Standards Foundation and is creating a framework for accurately complying with accounting standards, revisions to these standards and other items.



# 1. Consolidated Financial Statements, etc.

## (1) Consolidated Financial Statements 1) Consolidated Balance Sheet

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	*1 1,419,638	*1 1,536,880
Accounts receivable-trade	118,738	132,794
Securities	51,023	15,541
Real estate for sale	203,135	296,687
Other inventories	21,438	19,721
Deferred tax assets	39,997	16,000
Other	98,519	139,660
Allowance for doubtful accounts	(6,511)	(6,217)
Total current assets	1,945,978	2,151,067
Non-current assets		
Property, plant and equipment		
Buildings and structures	*1 1,012,522	*1 1,080,155
Accumulated depreciation	(147,416)	(196,944)
Buildings and structures, net	865,106	883,211
Machinery, equipment and vehicles	36,548	43,475
Accumulated depreciation	(30,829)	(33,647)
Machinery, equipment and vehicles, net	5,719	9,827
Tools, furniture and fixtures	60,067	77,849
Accumulated depreciation	(35,423)	(45,744)
Tools, furniture and fixtures, net	24,644	32,104
Land	*1 348,663	*1 348,663
Total property, plant and equipment	1,244,132	1,273,807
Intangible assets		
Goodwill	208,685	182,638
Other	12,009	22,695
Total intangible assets	220,694	205,333
Investments and other assets		
Investment securities	54,379	49,588
Shares of subsidiaries and associates	78,645	82,671
Deferred tax assets	-	68,693
Other	64,316	65,309
Allowance for doubtful accounts	(3,089)	(5,027)
Total investments and other assets	194,251	261,235
Total non-current assets	1,659,078	1,740,376
Total assets	3,605,056	3,891,444

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	63,046	86,120
Short-term loans payable	*2 2,000	*2 50,000
Current portion of long-term loans payable	*1 149,632	*1 166,108
Unearned revenue	82,244	119,734
Accounts payable-other	82,273	85,482
Income taxes payable	40,677	23,206
Provision for bonuses	21,929	28,606
Deposits received	101,100	92,383
Interest rate swaps	44,800	33,049
Other	136,110	141,229
Total current liabilities	723,816	825,922
Non-current liabilities		
Long-term loans payable	*1 819,266	*1 733,712
Net defined benefit liability	8,967	10,025
Long-term lease and guarantee deposited	244,695	240,135
Deferred tax liabilities	162,258	183,053
Total non-current liabilities	1,235,187	1,166,926
Total liabilities	1,959,003	1,992,848
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,578,674	1,582,416
Capital surplus	267,219	270,961
Retained earnings	(160,867)	68,359
Treasury shares	(3,020)	(3,020)
Total shareholders' equity	1,682,005	1,918,716
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	4,641
Deferred gains or losses on hedges	(44,800)	(33,049)
Foreign currency translation adjustment	-	2,279
Total accumulated other comprehensive income	(44,800)	(26,129)
Subscription rights to shares	8,219	5,415
Non-controlling interests	628	593
Total net assets	1,646,052	1,898,595
Total liabilities and net assets	3,605,056	3,891,444

2) Consolidated Statements of Income and Comprehensive Income  
Consolidated Statement of Income

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	5,046,810	6,366,301
Cost of sales	3,011,007	4,352,369
Gross profit	2,035,802	2,013,932
Selling, general and administrative expenses	*1 1,738,660	*1 1,734,657
Operating profit	297,141	279,274
Non-operating income		
Interest income	7,182	715
Dividend income	2,529	436
Gain on sales of securities	1,000	6,247
Commission fee	12,326	16,712
Other	14,044	10,836
Total non-operating income	37,084	34,948
Non-operating expenses		
Interest expenses	19,608	16,937
Loss on valuation of securities	5,670	-
Share of loss of entities accounted for using equity method	10,240	3,431
Foreign exchange losses	16,326	-
Other	5,041	733
Total non-operating expenses	56,886	21,102
Ordinary profit	277,339	293,121
Extraordinary income		
Gain on sales of investment securities	30,805	32,354
Other	124	-
Total extraordinary income	30,930	32,354
Extraordinary losses		
Loss on sales of investment securities	1,221	-
Loss on valuation of investment securities	44,744	47,682
Loss on cancellation penalty	9,965	-
Impairment loss	*2 99,486	-
Other	359	-
Total extraordinary losses	155,777	47,682
Profit before income taxes	152,491	277,793
Income taxes-current	68,631	74,809
Income taxes-deferred	(50,916)	(26,207)
Total income taxes	17,714	48,601
Profit	134,777	229,191
Loss attributable to non-controlling interests	(479)	(35)
Profit attributable to owners of parent	135,256	229,226

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Profit	134,777	229,191
Other comprehensive income		
Valuation difference on available-for-sale securities	(35,077)	4,641
Deferred gains or losses on hedges	(9,155)	11,750
Foreign currency translation adjustment	-	2,279
Total other comprehensive income	* (44,232)	* 18,671
Comprehensive income	90,544	247,862
Comprehensive income attributable to:		
Owners of parent	91,023	247,898
Non-controlling interests	(479)	(35)

### 3) Consolidated Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,578,674	264,268	(296,124)	(2,976)	1,543,841
Changes of items during period					
Profit attributable to owners of parent			135,256		135,256
Purchase of treasury shares				(44)	(44)
Change in ownership interest of parent due to transactions with non-controlling interests		2,951			2,951
Net changes of items other than shareholders' equity					
Total changes of items during period	-	2,951	135,256	(44)	138,163
Balance at end of current period	1,578,674	267,219	(160,867)	(3,020)	1,682,005

(Thousands of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	35,077	(35,645)	-	(567)	5,994	28,060	1,577,328
Changes of items during period							
Profit attributable to owners of parent							135,256
Purchase of treasury shares							(44)
Change in ownership interest of parent due to transactions with non-controlling interests							2,951
Net changes of items other than shareholders' equity	(35,077)	(9,155)	-	(44,232)	2,225	(27,431)	(69,439)
Total changes of items during period	(35,077)	(9,155)	-	(44,232)	2,225	(27,431)	68,724
Balance at end of current period	-	(44,800)	-	(44,800)	8,219	628	1,646,052

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,578,674	267,219	(160,867)	(3,020)	1,682,005
Changes of items during period					
Issuance of new shares	3,742	3,742			7,484
Profit attributable to owners of parent			229,226		229,226
Net changes of items other than shareholders' equity					
Total changes of items during period	3,742	3,742	229,226	-	236,710
Balance at end of current period	1,582,416	270,961	68,359	(3,020)	1,918,716

(Thousands of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	-	(44,800)	-	(44,800)	8,219	628	1,646,052
Changes of items during period							
Issuance of new shares							7,484
Profit attributable to owners of parent							229,226
Net changes of items other than shareholders' equity	4,641	11,750	2,279	18,671	(2,804)	(35)	15,832
Total changes of items during period	4,641	11,750	2,279	18,671	(2,804)	(35)	252,542
Balance at end of current period	4,641	(33,049)	2,279	(26,129)	5,415	593	1,898,595

4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	152,491	277,793
Depreciation	61,694	68,008
Impairment loss	99,486	-
Amortization of goodwill	41,675	26,047
Increase (decrease) in allowance for doubtful accounts	3,597	1,644
Increase (decrease) in other provision	5,311	7,734
Loss (gain) on sales of investment securities	(29,584)	(32,354)
Loss (gain) on valuation of investment securities	44,744	47,682
Share of (profit) loss of entities accounted for using equity method	10,240	3,431
Interest and dividend income	(9,712)	(1,152)
Interest expenses	19,608	16,937
Loss (gain) on sales of securities	(1,000)	(6,247)
Loss (gain) on valuation of securities	5,670	-
Foreign exchange losses (gains)	16,326	(482)
Decrease (increase) in notes and accounts receivable-trade	(2,708)	(15,994)
Decrease (increase) in inventories	(177,222)	(91,835)
Increase (decrease) in notes and accounts payable-trade	(847)	23,073
Increase (decrease) in deposits received	79	(8,716)
Increase (decrease) in lease and guarantee deposits received	2,271	(4,560)
Other, net	(9,421)	67,198
Subtotal	232,700	378,208
Interest and dividend income received	9,712	494
Interest expenses paid	(19,606)	(16,894)
Income taxes paid	(66,179)	(83,331)
Net cash provided by (used in) operating activities	156,626	278,477
<b>Cash flows from investing activities</b>		
Purchase of securities	(64,230)	(3,164)
Proceeds from sales of securities	8,537	44,924
Purchase of property, plant and equipment	(18,022)	(82,033)
Purchase of intangible assets	(8,666)	(12,512)
Net decrease (increase) in time deposits	(6,000)	9,500
Purchase of investment securities	(99,112)	(120,615)
Proceeds from sales of investment securities	109,827	32,380
Payments for investments in capital of subsidiaries and associates	(69,130)	(5,178)
Payments of loans receivable	(167,900)	(700)
Collection of loans receivable	155,490	1,303
Other, net	(103)	299
Net cash provided by (used in) investing activities	(159,310)	(135,796)

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,000	48,000
Proceeds from long-term loans payable	190,000	100,000
Repayments of long-term loans payable	(134,443)	(169,078)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(24,000)	-
Payments of issuance of subscription rights to shares	(2,597)	-
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	-	7,304
Payments for retirement by purchase of subscription rights to shares	-	(2,745)
Purchase of treasury shares	(44)	-
Net cash provided by (used in) financing activities	30,914	(16,518)
Effect of exchange rate change on cash and cash equivalents	(1,575)	580
Net increase (decrease) in cash and cash equivalents	26,656	126,741
Cash and cash equivalents at beginning of period	1,283,481	1,310,138
Cash and cash equivalents at end of period	* 1,310,138	* 1,436,880



[Notes]

## Notes - Significant Accounting Policies for Preparation of Consolidated Financial Statements

### 1. Matters relating to the scope of consolidation

#### (1) Number of consolidated subsidiaries: 8

Names of consolidated subsidiaries:

M&A Global Partners Co., Ltd.  
Trust Advisers Corporation  
Mobile Link Inc.  
Y.K. Masuda Seimen  
Global Holdings Co., Ltd.  
Narita Gateway Hotel Co., Ltd.  
Tokyo Apartment Guaranty Corporation  
Kurashiki Royal Art Hotel Co., Ltd.

#### (2) Number of non-consolidated subsidiaries: 1

Name of non-consolidated subsidiary:

STRIDERS GLOBAL INVESTMENT PTE. LTD.

(Reason for exclusion from the scope of consolidation)

Non-consolidated subsidiary is small in size, and its combined total assets, net sales, profit/loss (equity in earnings/losses) and retained earnings (equity in earnings) have no material impact in the context of the consolidated financial statements.

### 2. Application of equity method

#### (1) Number of affiliated companies accounted for by the equity method: 1

Name of company: Shin-Kong Mobilelink co., Ltd.

(2) The non-consolidated subsidiary not accounted for by the equity method (STRIDERS GLOBAL INVESTMENT PTE. LTD.) and affiliates (STRIDER CAPITAL ASIA PTE. LTD. and SMART FUNDS PTE. LTD.) are excluded from the scope of the application of the equity method, since it has a minor effect on profit/loss (equity in earnings/losses) and retained earnings (equity in earnings) and is relatively insignificant in the context of the consolidated financial statements. Even collectively, it does not have a material impact.

(3) Some equity-method subsidiaries and affiliates end their fiscal years on a date that differs from the end of the fiscal year for the consolidated financial statements, and financial statements for the fiscal years of these companies are used to prepare the consolidated financial statements.

### 3. Matters regarding the fiscal year, etc., of consolidated subsidiaries

The fiscal years of all consolidated subsidiaries end on the closing date of consolidated financial statements.

### 4. Matters regarding standards for accounting procedures

#### (1) Valuation criteria and methods for significant assets

##### i. Securities

-Securities for trade purposes

Valued at the market price, cost of sales being determined by the moving average method.

-Available-for-sale securities

Securities having market prices

Market price method based on market prices, etc., as of the closing date of the fiscal year. (Valuation differences are included directly in net assets and the cost of securities sold is determined by the moving average method.)

Securities without market prices

Cost method based on the moving average method.

##### ii. Inventories

-Real estate for sale

Cost method primarily based on the specific identification method. (The amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability.)

-Other inventories

Merchandise and finished goods are calculated by the cost method primarily based on the specific identification method (the amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability). Raw materials are calculated by the cost method primarily based on the last purchase cost method (the amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability). Supplies are calculated by the cost method primarily based on the moving average method (the amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability).

#### (2) Depreciation and amortization methods for significant depreciable and amortizing assets

##### i. Property, plant and equipment

The Company and its consolidated subsidiaries use the declining-balance method.

However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated using the straight-line method.

Approximate useful lives are as follows:

Buildings and structures: 6 to 31 years

Machinery, equipment and vehicles: 2 to 10 years

Tools, furniture and fixtures: 2 to 13 years

ii. Intangible assets

Software intended for internal use is amortized using the straight-line method based on an estimated period of internal use (five years).

(3) Reporting basis for significant allowances

i. Allowance for doubtful accounts

In the provision for possible losses on receivables caused by bad debts, the Company and its consolidated subsidiaries record estimated uncollectible amount based on the historical losses as to ordinary receivables and based on the consideration of feasibly recoverable amounts in individual cases of specific receivables for which collectability is a great concern.

ii. Provision for bonuses

In the provision for the future payment of employee bonuses, an anticipated amount of total bonus payments attributable to the current consolidated fiscal year is reported.

(4) Accounting method for retirement benefit obligations

Some consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which the retirement benefit obligations are equal to the amount that would be paid if all employees voluntarily requested retirement benefits at the end of the fiscal year.

(5) Translation standard of significant foreign currency-denominated assets or liabilities into yen

Monetary debts and credits denominated in foreign currencies are translated into yen at the spot exchange rates on the fiscal year-end date, with the differences resulting from such translations recorded as losses or profits.

(6) Accounting for hedges

-Hedging method

The Company applies deferred hedge accounting.

-Hedging instruments and risks hedged

Hedging instruments: Interest rate swaps

Risk hedged: Interest on borrowings

-Hedging policy

As stated in the Company's Derivative Management Rules, hedges are used to reduce exposure to interest rate volatility.

-Evaluation method for the effectiveness of hedges

The cumulative changes in cash flows of the hedged risk and of the hedging instrument are compared and the ratio is used to evaluate effectiveness.

(7) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over a period of not more than 20 years during which benefits are expected to be received from the goodwill of each corresponding company or business.

(8) Definition of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with maturities of three months or less, that are highly liquid and readily convertible to known amounts of cash and present insignificant risk of change in value.

(9) Other significant matters for preparation of the consolidated financial statements

i. Accounting procedure for consumption taxes

National and local consumption taxes are accounted by the tax-exclusion method.

ii. Application of consolidated taxation system

The Company applies the consolidated taxation system.

## Notes - Changes in Accounting Policies

### Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ), Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the period under review, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit or loss in the period under review is insignificant.

## Notes - Changes in Presentation

### Consolidated Balance Sheet

“Software” and “Telephone subscription right,” presented as separate line items under “Intangible assets” in the previous fiscal year, are included in “Other” under “Intangible assets” in the current fiscal year given the reduced materiality of impact of the amount on the consolidated financial statements. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Accordingly, the 11,064 thousand yen “Software” and the 944 thousand yen “Telephone subscription right” line items under “Intangible assets” in the previous fiscal year’s consolidated balance sheet have been reclassified as “Other” under “Intangible assets.”

“Unearned revenue,” included in “Other” under “Current liabilities” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year due to the increased significance of the amount. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Accordingly, the 218,355 thousand yen “Other” line item under “Current liabilities” in the previous fiscal year’s consolidated balance sheet have been reclassified as 82,244 thousand yen “Unearned revenue,” and 136,110 thousand yen “Other” line items.

### Consolidated Statement of Income

“Office work fee” presented as a separate line item under “Non-operating income” in the previous fiscal year, is included in “Other” under “Non-operating income” in the current fiscal year given the reduced materiality of impact of the amount on the consolidated financial statements. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Accordingly, the 4,200 thousand yen “Office work fee” line item under “Non-operating income” in the previous fiscal year’s consolidated statement of income has been reclassified as “Other” under “Non-operating income.”

“Share issuance cost” presented as a separate line item under “Non-operating expenses” in the previous fiscal year, is included in “Other” under “Non-operating expenses” in the current fiscal year given the reduced materiality of impact of the amount on the consolidated financial statements. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Accordingly, the 4,822 thousand yen “Share issuance cost” line item under “Non-operating expenses” in the previous fiscal year’s consolidated statement of income has been reclassified as “Other” under “Non-operating expenses.”

### Consolidated Statement of Cash Flows

“Share issuance cost” presented as a separate line item under “Cash flows from operating activities” in the previous fiscal year, is included in “Other, net” in the current fiscal year given the reduced materiality of impact of the amount on the consolidated financial statements. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Accordingly, the 4,822 thousand yen “Share issuance cost” line item under “Cash flows from operating activities” in the previous fiscal year’s consolidated statement of cash flows has been reclassified as “Other, net.”

In the previous fiscal year, “Payments into time deposits” and “Proceeds from withdrawal of time deposits” were presented as separate line items under “Cash flows from investing activities.” In the current fiscal year, these items are replaced with a net figure called “Net decrease (increase) in time deposits” because the length of these time deposits is short and they are turned over quickly. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Accordingly, the minus 6,000 thousand yen “Payments into time deposits” line item under “Cash flows from investing activities” in the previous fiscal year’s consolidated statement of cash flows has been reclassified as “Net decrease (increase) in time deposits.”

## Notes - Additional Information.

### Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the period under review, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

## Notes - Consolidated Balance Sheet

- \*1. Assets pledged as collateral and secured liabilities  
Assets pledged as collateral are as follows.

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Time deposits	100,000	100,000
Buildings	834,728	792,324
Land	348,663	348,663
Total	1,283,391	1,240,987

Secured liabilities are as follows.

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Long-term loans payable (include current portion of long-term loans payable)	786,839	717,727

- \*2. Current account overdraft agreements

The Company has current account overdraft agreements with Shinsei Bank, Limited, in order to improve capital efficiency and to raise funds efficiently as deemed necessary. The amount of credit available at the end of the past two fiscal years was as follows.

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Current account overdraft limit	50,000	100,000
Credit used	2,000	50,000
Credit available	48,000	50,000

## Notes - Consolidated Statement of Income

- \*1. Major components and amounts of the selling, general and administrative expenses are as follows.

	(Thousands of yen)	
	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Directors' compensations	80,719	75,444
Salaries and allowances	437,237	476,553
Provision for bonuses	35,927	45,906
Retirement benefit expenses	1,776	312
Provision of allowance for doubtful accounts	3,914	1,914
Business consignment expenses	270,766	241,647
Commission fee	182,623	182,074
Amortization of goodwill	41,675	26,047

- \*2. Impairment loss

FY3/16 (April 1, 2015 – March 31, 2016)

The group recognized impairment losses on the following group of assets.

(1) Impairment losses on assets

(Thousands of yen)			
Location	Use	Item	Impairment loss
Y.K. Masuda Seimen	-	Goodwill	99,486

(2) Reason for decision to post impairment losses

The Company has recognized an impairment loss on the goodwill of consolidated subsidiary Y.K. Masuda Seimen, as this company's earnings are no longer expected to reach the levels indicated in business plans considered at the time of its acquisition.

(3) Method used for grouping

The Striders Group groups assets by business category.

(4) Calculation of amount that can be recovered

The recoverable amount is calculated to be zero.

FY3/17 (April 1, 2016 – March 31, 2017)

There is no applicable information.

## Notes - Consolidated Statement of Comprehensive Income

\*Reclassification adjustments and tax effects pertaining to other comprehensive income are as follows.

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
(Thousands of yen)		
Valuation difference on available-for-sale securities:		
Amount recognized during the current consolidated fiscal year	17,800	6,948
Re-classification adjustments	(70,232)	-
Before tax effect adjustment	(52,432)	6,948
Tax effects	(17,355)	2,306
Valuation difference on available-for-sale securities	(35,077)	4,641
Deferred gains or losses on hedges:		
Amount recognized during the current consolidated fiscal year	(9,155)	11,750
Foreign currency translation adjustment		
Amount recognized during the current consolidated fiscal year	-	2,279
Total other comprehensive income	(44,232)	18,671

## Notes - Consolidated Statement of Changes in Equity

FY3/16 (April 1, 2015 – March 31, 2016)

1. Matters regarding the class and number of issued shares and treasury shares

	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
(Thousand shares)				
Issued shares				
Common stock	88,730	-	-	88,730
Total	88,730	-	-	88,730
Treasury shares				
Common stock (Note)	25	0	-	26
Total	25	0	-	26

Note: The increase in the number of treasury shares of common stock is due to the purchase of odd-lot shares.

2. Matters regarding subscription rights to shares

Classification	Classification of subscription rights to shares	Type of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (Shares)				Balance as of March 31, 2016 (Thousands of yen)
			As of April 1, 2015	Increase	Decrease	As of March 31, 2016	
The Company (Parent company)	No. 6 subscription rights to shares (issued on May 29, 2013)	Common stock	300,000	-	-	300,000	54
The Company (Parent company)	No. 7 subscription rights to shares (issued on Nov. 4, 2014)	Common stock	13,200,000	-	-	13,200,000	5,940
The Company (Parent company)	No. 8 subscription rights to shares (issued on Oct. 5, 2015) (Note)	Common stock	-	4,450,000	-	4,450,000	2,225
Total		-	13,500,000	4,450,000	-	17,950,000	8,219

Note: The increase in the number of No. 8 subscription rights to shares is due to the issuance of subscription rights to shares.

FY3/17 (April 1, 2016 – March 31, 2017)

1. Matters regarding the class and number of issued shares and treasury shares

(Thousand Shares)

	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Issued shares				
Common stock (Note)	88,730	140	-	88,870
Total	88,730	140	-	88,870
Treasury shares				
Common stock	26	-	-	26
Total	26	-	-	26

Note: Number of issued shares of common stock increased 140,000 shares due to the issuance of new shares through the exercise of subscription rights to shares.

2. Matters regarding subscription rights to shares

Classification	Classification of subscription rights to shares	Type of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (Shares)				Balance as of March 31, 2017 (Thousands of yen)
			As of April 1, 2016	Increase	Decrease	As of March 31, 2017	
The Company (Parent company)	No. 6 subscription rights to shares (issued on May 29, 2013) (Note 1)	Common stock	300,000	-	50,000	250,000	45
The Company (Parent company)	No. 7 subscription rights to shares (issued on Nov. 4, 2014) (Note 2)	Common stock	13,200,000	-	6,100,000	7,100,000	3,195
The Company (Parent company)	No. 8 subscription rights to shares (issued on Oct. 5, 2015) (Note 3)	Common stock	4,450,000	-	100,000	4,350,000	2,175
Total		-	17,950,000	-	6,250,000	11,700,000	5,415

- Notes: 1. The decrease in the number of No. 6 subscription rights to shares is due to the exercise of the rights.  
2. The decrease in the number of No. 7 subscription rights to shares is due to the retirement of the rights.  
3. The decrease in the number of No. 8 subscription rights to shares is due to the exercise of 90,000 rights and the cancellation of 10,000 rights.

Notes - Consolidated Statement of Cash Flows

\* The relationship between the balance of cash and cash equivalents at the end of the fiscal year and the amount of items posted in the consolidated balance sheet is as follows.

(Thousands of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Cash and deposit account	1,419,638	1,536,880
Derivative deposits	(109,500)	(100,000)
Cash and cash equivalents	1,310,138	1,436,880

Notes - Leases

This information is not disclosed due to its lack of significance.

## Notes - Financial Instruments

### 1. Matters pertaining to the status of financial instruments

#### (1) Policy to deal with financial instruments

The group's policy is to restrict investment of funds to short-term deposits and similar financial instruments and to use bank loans as the primary means of procuring funds.

#### (2) Details and risks of financial instruments

Operating receivables consisting of accounts receivable-trade are generally exposed to the credit risk of customers. To manage exposure to this credit risk, the Striders Group monitors payment deadlines and amounts outstanding for each counterparty and customer in accordance with the group's credit management rules.

Operating debt consisting of accounts payable-trade has payment deadlines of not more than one year.

Short-term loans are used mainly to fund business transactions and long-term loans are used mainly to fund capital expenditures. To eliminate exposure to interest rate risk for some long-term loans, the Company uses interest rate swaps to change to fixed interest rates. The Company limits derivatives transactions within the scope of real demand in line with its internal guidelines. Operating debts and loans are always vulnerable to liquidity risk. As a result, the Company manages this risk for all group companies in order to perform comprehensive risk management for the entire group.

#### (3) Supplemental explanation concerning fair value of financial instruments

Fair value of the financial instrument is measured at a quoted fair value, if available, or reasonably assessed value if a quoted fair value is not available. As the calculation of the reasonably assessed value incorporates varying factors, the amount may vary if different assumptions are used.

### 2. Matters pertaining to the fair value, etc., of financial instruments

Amounts in the consolidated balance sheet, fair value and the differences are as follows. Items for which fair value is extremely difficult to measure are not included. (See Note 2)

FY3/16 (As of March 31, 2016)

(Thousands of yen)

	Amount posted in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,419,638	1,419,638	-
(2) Accounts receivable-trade	118,738		
Allowance for doubtful accounts*1	(6,511)		
	112,226	112,226	-
(3) Marketable securities and investment securities	105,354	105,354	-
Total assets	1,637,219	1,637,219	-
(1) Accounts payable-trade	63,046	63,046	-
(2) Short-term loans payable	2,000	2,000	-
(3) Current portion of long-term loans payable	149,632	147,986	(1,645)
(4) Accounts payable-other	82,273	82,273	-
(5) Income taxes payable	40,677	40,677	-
(6) Deposits received	101,100	101,100	-
(7) Long-term loans payable	819,266	815,786	(3,479)
(8) Long-term lease and guarantee deposited	244,695	234,314	(10,380)
Total liabilities	1,502,691	1,487,186	(15,505)
Derivative transactions*2	[44,800]	[44,800]	-

\*1. Allowance for doubtful account on trade receivable is eliminated.

\*2. The net amounts of substantive credits and debts accrued from derivative transactions are indicated; total net debt amounts are indicated in brackets.

FY3/17 (As of March 31, 2017)

(Thousands of yen)

	Amount posted in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,536,880	1,536,880	-
(2) Accounts receivable-trade	132,794		
Allowance for doubtful accounts*1	(6,037)		
	126,757	126,757	-
(3) Marketable securities and investment securities	42,986	42,986	-
Total assets	1,706,623	1,706,623	-
(1) Accounts payable-trade	86,120	86,120	-
(2) Short-term loans payable	50,000	50,000	-
(3) Current portion of long-term loans payable	166,108	164,278	(1,829)
(4) Accounts payable-other	85,482	85,482	-
(5) Income taxes payable	23,206	23,206	-
(6) Deposits received	92,383	92,383	-
(7) Long-term loans payable	733,712	715,644	(18,067)
(8) Long-term lease and guarantee deposited	240,135	229,729	(10,405)
Total liabilities	1,477,148	1,446,846	(30,302)
Derivative transactions*2	[33,049]	[33,049]	-

\*1. Allowance for doubtful account on trade receivable is eliminated.

\*2. The net amounts of substantive credits and debts accrued from derivative transactions are indicated; total net debt amounts are indicated in brackets.

Notes: 1. Calculation method of fair value of financial instruments and matters pertaining to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Accounts receivable-trade

Because these items are settled in a short period and their fair value is nearly equal to their book values, the fair value of these items is based on their book value.

(3) Marketable securities and investment securities

Fair value of these items is based on prices at listed securities exchanges. See "Securities" under the Notes section for information about securities categorized by holding purpose.

Liabilities

(1) Accounts payable-trade, (2) Short-term loans payable (4) Accounts payable-other, (5) Income taxes payable and (6) Deposits received

Because these items are settled in a short period and their fair value is nearly equal to their book values, the fair value of these items is based on their book value.

(3) Current portion of long-term loans payable, (7) Long-term loans payable

Fair value of the financial instruments in these categories is determined by calculating present value obtained by discounting the combined value of principal and interest by the interest rate assumed were the Company to borrow new money.

(8) Long-term lease and guarantee deposited

Fair value of long-term lease and guarantee deposits is the present value of these deposits. The discount rate is a suitable interest rate, such as the yield of Japanese government bonds over the remaining time of each real estate lease contract, with a credit spread added.

Derivative Transactions

See "Derivatives" under the Notes section.

2. Financial instruments for which fair value is extremely difficult to measure

(Thousands of yen)

Category	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Investment securities (non-listed shares) *1	48	22,143
Shares of subsidiaries and associates *2	78,645	82,671

\*1: As the investment securities (non-listed shares) have no market price and their fair value is deemed to be extremely difficult to be determined, they are not included in "(3) Marketable securities and investment securities".

\*2: The market value of shares of subsidiaries and associates is not disclosed, as they have no market price and their fair value is deemed to be extremely difficult to be determined.



3. Scheduled redemption of monetary receivables after the consolidated accounts settlement date

FY3/16 (As of March 31, 2016)

	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years
Cash and deposits	1,419,638	-	-	-
Accounts receivable-trade	118,738	-	-	-
Total	1,538,376	-	-	-

(Thousands of yen)

FY3/17 (As of March 31, 2017)

	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years
Cash and deposits	1,536,880	-	-	-
Accounts receivable-trade	132,794	-	-	-
Total	1,669,674	-	-	-

(Thousands of yen)

4. Scheduled repayment of long-term loans payable and other interest-bearing debt after the consolidated accounts settlement date

FY3/16 (As of March 31, 2016)

	Within one year	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Short-term loans payable	2,000	-	-	-	-	-
Long-term loans payable	149,632	132,772	106,991	69,112	69,112	441,279
Total	151,632	132,772	106,991	69,112	69,112	441,279

(Thousands of yen)

FY3/17 (As of March 31, 2017)

	Within one year	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than five years
Short-term loans payable	50,000	-	-	-	-	-
Long-term loans payable	166,108	140,327	82,994	69,112	65,392	375,887
Total	216,108	140,327	82,994	69,112	65,392	375,887

(Thousands of yen)

Notes - Securities

1. Securities for trade purposes

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Unrealized gain (loss) included in profit/loss	(5,670)	30

(Thousands of yen)

2. Available-for-sale securities

FY3/16 (April 1, 2015 – March 31, 2016)

	Type	Carrying value	Acquisition cost	Difference
Securities for which the carrying value exceeds their acquisition cost	Stocks	-	-	-
	Subtotal	-	-	-
Securities for which the carrying value does not exceed their acquisition cost	Stocks	54,330	94,358	(40,027)
	Subtotal	54,330	94,358	(40,027)
Total		54,330	94,358	(40,027)

(Thousands of yen)

Note: As the investment securities (reported at 48 thousand yen in the consolidated balance sheet) have no market price and the fair value is deemed to be extremely difficult to be determined, they are not included in the above table reporting the status of available-for-sale securities.

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

	Type	Carrying value	Acquisition cost	Difference
Securities for which the carrying value exceeds their acquisition cost	Stocks	20,755	15,228	5,527
	Subtotal	20,755	15,228	5,527
Securities for which the carrying value does not exceed their acquisition cost	Stocks	6,689	94,358	(87,668)
	Subtotal	6,689	94,358	(87,668)
Total		27,444	109,586	(82,141)

Note: As the investment securities (reported at 22,143 thousand yen in the consolidated balance sheet) have no market price and the fair value is deemed to be extremely difficult to be determined, they are not included in the above table reporting the status of available-for-sale securities.

### 3. Available-for-sale securities sold

FY3/16 (April 1, 2015 – March 31, 2016)

(Thousands of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	109,827	30,805	1,221
Total	109,827	30,805	1,221

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	116,994	32,354	-
Total	116,994	32,354	-

### 4. Marketable securities written down for impairment

Available-for-sale securities of 44,744 thousand yen were written down for the fiscal year ended March 31, 2016.

Available-for-sale securities of 47,682 thousand yen were written down for the fiscal year ended March 31, 2017.

## Notes - Derivatives

Derivative transactions accounted by the hedge accounting method

Currencies

FY3/16 (As of March 31, 2016)

(Thousands of yen)

Hedging method	Transaction category	Risk hedged	Contract amount, etc.	Contract amount, etc., exceeding one year	Fair value
Principle method	Interest rate swaps Receive floating/ pay fixed	Loans payable	847,000	675,847	(44,800)
Total			847,000	675,847	(44,800)

Note: Calculation method of fair value

The fair value was calculated based on prices, etc., presented by financial institutions, etc., with which the Company has transactions.

FY3/17 (As of March 31, 2017)

(Thousands of yen)

Hedging method	Transaction category	Risk hedged	Contract amount, etc.	Contract amount, etc., exceeding one year	Fair value
Principle method	Interest rate swaps Receive floating/ pay fixed	Loans payable	847,000	615,855	(33,049)
Total			847,000	615,855	(33,049)

Note: Calculation method of fair value

The fair value was calculated based on prices, etc., presented by financial institutions, etc., with which the Company has transactions.

## Notes - Retirement Benefits

### 1. Retirement benefit plans

For the payment of retirement benefits to employees, the Company belongs to a Welfare Pension Fund System (East Japan Stationery Sales Welfare Pension Fund) that consists of many employers. On November 27, 2015, the Minister of Health, Labour and Welfare approved the termination of this system and the termination process has started. Figures for this system are omitted because the termination process is still under way.

Some consolidated subsidiaries use a defined benefit non-contributory retirement benefit plan (a lump-sum retirement payment system based on retirement payment rules) for the payment of retirement benefits to their employees. A simplified method is used to calculate net defined benefit liability and retirement benefit expenses.

### 2. Defined benefit plan

#### (1) Reconciliation of beginning and ending balances of net defined benefit liability when using the simplified method

	(Thousands of yen)	
	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Net defined benefit liability at beginning of period	7,761	8,967
Retirement benefit expenses	1,206	1,058
Payment of retirement benefit	-	-
Net defined benefit liability at end of period	8,967	10,025

#### (2) Reconciliation of ending balances of retirement benefit obligation and plan assets against net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Retirement benefit obligation of contributory plan	-	-
Plan assets at fair value	-	-
	-	-
Retirement benefit obligation of non-contributory plan	8,967	10,025
Net liability/asset recognized in the consolidated balance sheet	8,967	10,025
Net defined benefit liability	8,967	10,025
Net liability/asset recognized in the consolidated balance sheet	8,967	10,025

#### (3) Retirement benefit expenses

Retirement benefit expenses using the simplified method

FY3/16: 1,206 thousand yen      FY3/17: 1,058 thousand yen

## Notes - Tax Effect Accounting

### 1. Details of the causes for deferred tax assets and deferred tax liabilities

	FY3/16 (As of March 31, 2016)	(Thousands of yen) FY3/17 (As of March 31, 2017)
Deferred tax assets (current)		
Excess allowance for doubtful accounts	734	2,473
Provision for bonuses	6,774	11,989
Deferred loss	38,000	16,000
Other	892	1,445
Subtotal deferred tax assets (current)	46,401	31,908
Valuation allowance	(6,404)	(15,908)
Total deferred tax assets (current)	39,997	16,000
Deferred tax assets (non-current)		
Deferred loss	456,246	407,074
Loss on valuation of investment securities	15,423	30,138
Impairment loss	712	700
Other	7,673	9,133
Subtotal deferred tax assets (non-current)	480,056	447,046
Valuation allowance	(480,056)	(376,046)
Total deferred tax assets (non-current)	-	71,000
Deferred tax liabilities (non-current)		
Valuation difference on available-for-sale securities	-	2,306
Valuation difference due to the evaluation of stock of consolidated subsidiary at fair value	162,258	183,053
Total deferred tax liabilities (non-current)	162,258	185,360
Net deferred tax liabilities (non-current)	162,258	114,360

### 2. Details of major items causing the significant difference between the statutory effective tax rate and the actual effective tax rate after the application of tax-effect accounting

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Statutory effective tax rate	33.1%	30.9%
(Adjustments)		
Dividend income and other items not to be included in income indefinitely	(15.2)	(11.2)
Entertainment expenses and other items not to be included in expenses indefinitely	0.5	0.4
Residential tax for the period	0.7	0.4
Increase (decrease) in valuation allowance	7.6	(6.9)
Amortization of goodwill	3.1	0.9
Impairment loss on goodwill	7.5	-
Consolidation adjustment	(10.5)	11.0
Effect of consolidated taxation	(13.5)	(8.1)
Other	(1.6)	(0.1)
Actual effective tax rate after the application of tax-effect accounting	11.6	17.4

### 3. Revised amount of deferred tax assets and deferred tax liabilities following the change in the corporate tax rate, etc.

Japan extended the increase in its consumption tax to 10% from April 1, 2017 to October 1, 2019 in association with two laws that were passed by the Japanese Diet on November 18, 2016: the Act for Partial Amendment of the Consumption Tax Act for Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 85 of 2016) and the Act for Partial Amendment of the Act for Partial Amendment of the Local Tax Act and Regional Tax Transfer Act for Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 86 of 2016).

In conjunction with this change, the timing of the following changes was also postponed from the consolidated fiscal years starting on or after April 1, 2017 to consolidated fiscal years starting on or after October 1, 2019: the termination of the local corporate special tax along with the associated restoration of a corporate enterprise tax, revision in the local corporate tax rate and revision in the corporate inhabitants tax rate.

There is no change in the statutory effective tax rate used to determine deferred tax assets and deferred tax liabilities. In addition, although there changes in the tax rates for national and local taxes, the effect on the consolidated financial statements is negligible.

## Notes - Segment Information, etc.

### Segment information

#### 1. Outline of reportable segments

The reportable segments of the Company are the constituent units for which separate financial information is available and which are subject to periodic reviews by the Board of Directors to determine allocations of resources and to evaluate performance.

The Group has consolidated subsidiaries that are mainly categorized in accordance with business activities. These consolidated subsidiaries determine comprehensive strategies and conduct business activities as a unified business unit.

The Group has five reportable segments: Information Technology Business, Turnaround Consultancy Business, Real Estate Lease Management Business, Food Business, and Hotel Business.

The Information Technology Business is mainly the development and sale of motor vehicle communication systems. The Turnaround Consultancy Business is engaged in the restructuring and revitalization of businesses, consulting services for corporate clients in the field of M&A and fund procurement. The Real Estate Lease Management Business is engaged in management of apartments and other properties and real estate brokerage. The Food Business manufactures and sells Chinese noodles (ramen). The Hotel Business operates hotels.

#### 2. Calculation method of net sales, profit/loss, assets, liabilities and other items in each reportable segment

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the consolidated financial statements.

Profits for reportable segments are generally operating profit. Inter-segment sales and transfers are based on market prices.

#### 3. Information pertaining to net sales, profit/loss, assets, liabilities and other items in reportable segments

FY3/16 (April 1, 2015 – March 31, 2016)

(Thousands of yen)

	Reportable Segment					Total	Adjustment (Notes 1, 2 and 3)	Amount in the consolidated financial statements (Note 4)
	Information Technology Business	Turnaround Consultancy Business	Real Estate Lease Management Business	Food Business	Hotel Business			
Net sales								
Sales to external customers	269,581	30,000	3,022,768	162,841	1,561,618	5,046,810	-	5,046,810
Inter-segment sales and transfers	-	-	-	48	16	65	(65)	-
Total	269,581	30,000	3,022,768	162,890	1,561,635	5,046,876	(65)	5,046,810
Segment profit (loss)	(10,046)	29,792	183,999	(1,748)	244,349	446,347	(149,205)	297,141
Segment assets	126,900	45,188	834,306	99,542	1,843,877	2,949,815	655,241	3,605,056
Other items								
Depreciation	1,526	-	1,662	1,474	55,344	60,008	1,686	61,694
Amortization of goodwill	2,864	-	15,060	15,597	8,152	41,675	-	41,675
Share of profit (loss) of entities accounted for using equity method	(10,240)	-	-	-	-	(10,240)	-	(10,240)
Increase in property, plant and equipment and intangible assets	590	-	6,294	-	26,651	33,535	153	33,688

Notes: 1. The negative adjustment of 149,205 thousand yen to segment profit (loss) is mainly personnel and other expenses for administrative departments.

2. The adjustments to segment assets and depreciation are for corporate assets and depreciation that are not allocated to reportable segments.

3. The adjustment to increases in property, plant and equipment and intangible fixed assets is the sum of company-wide assets that are not allocated to reportable segments.
4. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

	Reportable Segment					Other (Note 1)	Total	Adjustment (Notes 2, 3 and 4)	Amount in the consolidated financial statements (Note 5)
	Information Technology Business	Turnaround Consultancy Business	Real Estate Lease Management Business	Food Business	Hotel Business				
Net sales									
Sales to external customers	308,429	30,000	4,401,213	162,802	1,463,355	500	6,366,301	-	6,366,301
Inter-segment sales and transfers	-	-	-	12	-	-	12	(12)	-
Total	308,429	30,000	4,401,213	162,814	1,463,355	500	6,366,313	(12)	6,366,301
Segment profit	5,376	26,811	166,512	13,562	228,822	500	441,585	(162,311)	279,274
Segment assets	152,217	180,406	1,001,662	96,623	1,757,722	-	3,188,631	702,812	3,891,444
Other items									
Depreciation	1,218	-	2,020	2,296	61,121	-	66,657	1,351	68,008
Amortization of goodwill	2,864	-	15,060	-	8,122	-	26,047	-	26,047
Share of profit (loss) of entities accounted for using equity method	(3,431)	-	-	-	-	-	(3,431)	-	(3,431)
Increase in property, plant and equipment and intangible assets	-	-	12,779	5,500	89,611	-	107,891	478	108,369

- Notes: 1. The “Other” business segment consists of activities that are not included in any of the reportable segments, and is primarily engaged in the outsourcing business.
2. The adjustment of minus 162,311 thousand yen to segment profit is mainly personnel and other expenses for administrative departments.
3. The adjustments to segment assets and depreciation are for corporate assets and depreciation that are not allocated to reportable segments.
4. The adjustment to increases in property, plant and equipment and intangible assets is the sum of company-wide assets that are not allocated to reportable segments.
5. Segment profit is adjusted with operating profit shown on the consolidated statement of income.

## Related Information

FY3/16 (April 1, 2015 – March 31, 2016)

### 1. Information about products and services

Descriptions of products and services are omitted because this information is presented in Segment Information.

### 2. Geographical information

#### (1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

#### (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

### 3. Information of specific major customer

This information is omitted because no single customer accounted for 10% or more of total sales in FY3/16.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

### 1. Information about products and services

Descriptions of products and services are omitted because this information is presented in Segment Information.

## 2. Geographical information

### (1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

### (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

## 3. Information of specific major customer

This information is omitted because no single customer accounted for 10% or more of total sales in FY3/17.

## Impairment Loss of Non-current Assets by Each Reportable Segment

FY3/16 (April 1, 2015 – March 31, 2016)

(Thousands of yen)

	Information Technology Business	Turnaround Consultancy Business	Real Estate Lease Management Business	Food Business	Hotel Business	Elimination or corporate	Total
Impairment loss	-	-	-	99,486	-	-	99,486

FY3/17 (April 1, 2016 – March 31, 2017)

There is no applicable information.

## Amortization of Goodwill and Unamortized Balance by Each Reportable Segment

FY3/16 (April 1, 2015 – March 31, 2016)

(Thousands of yen)

	Information Technology Business	Turnaround Consultancy Business	Real Estate Lease Management Business	Food Business	Hotel Business	Elimination or corporate	Total
Amortization for the period	2,864	-	15,060	15,597	8,152	-	41,675
Balance at the end of the period	17,783	-	42,671	-	148,229	-	208,685

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Information Technology Business	Turnaround Consultancy Business	Real Estate Lease Management Business	Food Business	Hotel Business	Elimination or corporate	Total
Amortization for the period	2,864	-	15,060	-	8,122	-	26,047
Balance at the end of the period	14,919	-	27,611	-	140,107	-	182,638

## Information Related to Gain on Bargain Purchase by Each Reportable Segment

There is no applicable information.

**Notes - Per Share Information**

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share (Yen)	18.46	21.30
Net income per share (Yen)	1.52	2.58
Diluted net income per share (Yen)	1.51	2.57

Note: The calculation basis for net income per share and diluted net income per share are as follows:

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	135,256	229,226
Amount not attributed to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent related to common stock (Thousands of yen)	135,256	229,226
Average number of shares outstanding during the period (Thousands of shares)	88,704	88,738
Diluted net income per share		
[Basis for calculation]		
Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
Number of shares of common stock to be increased (Thousands of shares)	827	511
[Of which, subscription rights to shares (Thousands of shares)]	[827]	[511]
Description of the potential shares not included in the calculation of diluted net income per share due to their non-dilutive effect	Striders Corporation No. 7 subscription rights to shares: 132 (100,000 shares of common stock per right)	Striders Corporation No. 7 subscription rights to shares: 71 (100,000 shares of common stock per right)



## Notes - Significant Events after Reporting Period

### Decrease in legal capital surplus and appropriation of surplus

The Board of Directors approved a resolution on May 16, 2017 to submit a proposal concerning a decrease in the legal capital surplus and appropriation of surplus at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017. This proposal was subsequently approved by shareholders at this meeting.

#### 1. Purpose of the decrease in the legal capital surplus and appropriation of surplus

The purpose is to eliminate the retained loss brought forward as of March 31, 2017, improve financial soundness, and provide greater flexibility and speed concerning upcoming activities involving equity.

#### 2. Decrease in legal capital surplus

In accordance with Article 448, Paragraph 1 of the Companies Act, part of the legal capital surplus will be transferred to other capital surplus.

(1) Legal capital surplus item and amount of decrease

173,267,919 yen of the total legal capital surplus of 268,010,000 yen

(2) Surplus item and amount of increase

173,267,919 yen increase in other capital surplus

#### 3. Appropriation of capital surplus

If the decrease in the legal capital surplus in the preceding item 2 takes place, then in accordance with Article 452 of the Companies Act, other capital surplus will be transferred to retained earnings brought forward in order to eliminate the loss.

(1) Capital surplus item and amount of decrease

173,267,919 yen decrease in other capital surplus

(2) Capital surplus item and amount of increase

173,267,919 yen increase in retained earnings brought forward

(3) Balances after these increases and decreases

Other capital surplus: 0 yen

Retained earnings brought forward: 0 yen

### Stock consolidation and change in trading unit

The Board of Directors approved a resolution on May 16, 2017 to submit a proposal concerning a stock consolidation and change in the trading unit at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017. This proposal was subsequently approved by shareholders at this meeting.

#### (1) Purpose of stock consolidation and change in trading unit

Stock exchanges in Japan announced an action plan for the unification of trading units in order to use 100 shares as the trading unit for all common stock listed in Japan. To cooperate with this plan as a company listed on the Tokyo Stock Exchange, Striders made the decision to change its trading unit from 1,000 shares to 100 shares. In addition, the decision was made to conduct a stock consolidation in order to make the value of one trading unit near the range of 50,000 yen to 500,000 yen that stock exchanges want.

#### (2) Stock consolidation

##### 1) Class of stock

Common stock

##### 2) Consolidation method and ratio

On October 1, 2017, stock held by shareholders of record on September 30, 2017 (effectively September 29, 2017) will be consolidated at the rate of one share for every 10 shares held.

##### 3) Decrease in shares due to consolidation

(Shares)

Shares issued before consolidation (March 31, 2017)	88,870,896
Decrease due to consolidation	79,983,807
Shares issued after consolidation	8,887,089

Note: The decrease due to consolidation and shares issued after consolidation are estimates based on the number of shares before the consolidation and the consolidation ratio.

#### 4) Fractions of one share

In accordance with Article 235 of the Companies Act, all fractions of one share resulting from the consolidation will be sold and the proceeds will be distributed to shareholders who held fractional shares in proportion to the fractional shares held.

5) Total number of authorized shares

To change the number of authorized shares to a proper level in relation to the decrease in shares issued resulting from the consolidation, the number of authorized shares will be changed by a ratio of 10 to one, the same as the October 1, 2017 stock consolidation ratio.

	Before change	After change (As of Oct. 1, 2017)
Total number of authorized shares (Shares)	180,000,000	18,000,000

6) Adjustment of subscription right exercise prices

Due to the stock consolidation, the exercise price of Striders subscription rights to shares will be adjusted as follows on October 1, 2017.

Issuance resolution date	Subscription right exercise prices before adjustment (Yen)	Subscription right exercise prices after adjustment (Yen)
No. 6 subscription rights to shares Resolution by the Board of Directors on May 14, 2013	28	280
No. 7 subscription rights to shares Resolution by the Board of Directors on Oct. 17, 2014	92	920
No. 8 subscription rights to shares Resolution by the Board of Directors on Sep. 18, 2015	67	670

(3) Change in trading unit

The number of shares per unit will be changed from 1,000 shares to 100 shares on October 1, 2017.

(4) Timetable for stock consolidation and change in trading unit

Resolution of the Board of Directors	May 16, 2017
Resolution of General Meeting of Shareholders	Jun. 22, 2017
Date of stock consolidation and change in trading unit	Oct. 1, 2017 (tentative)

(5) Effect on net assets and income per share

Net assets and income per share in the past two fiscal years would have been as follows if this stock consolidation had taken place on April 1, 2015.

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share (Yen)	184.57	213.02
Net income per share (Yen)	15.25	25.83
Diluted net income per share (Yen)	15.11	25.68

5) Consolidated Supplementary Schedules

**Detailed Statements of Borrowings**

Category	Balance as of April 1, 2016 (Thousands of yen)	Balance as of March 31, 2017 (Thousands of yen)	Average interest rate (%)	Due date
Short-term loans payable	2,000	50,000	0.8	-
Current portion of long-term loans payable	149,632	166,108	1.3	-
Long-term loans payable (excluding those repayable within one year)	819,266	733,712	1.6	2018-2024
Total	970,898	949,820	-	-

Notes: 1. The weighted average interest rate on the balance of borrowings at the end of fiscal year is stated as the average interest rate.

2. Long-term loans payable (excluding those repayable within one year) scheduled to be repaid within five years after the closing date of the consolidated fiscal year are as follows:

	(Thousands of yen)			
	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years
Long-term loans payable	140,327	82,994	69,112	65,392

(2) Other Information

Quarterly Information for the Current Consolidated Fiscal Year

Cumulative period	Three months ended June 30, 2016	Six months ended September 30, 2016	Nine months ended December 31, 2016	Fiscal year ended March 31, 2017
Net sales (Thousands of yen)	1,506,078	3,056,488	4,684,364	6,366,301
Profit before income taxes (Thousands of yen)	116,803	186,199	210,960	277,793
Profit attributable to owners of parent (Thousands of yen)	84,325	137,836	149,652	229,226
Net income per share (Yen)	0.95	1.55	1.69	2.58

Each quarter	1st Quarter April 1, 2016 to June 30, 2016	2nd Quarter July 1, 2016 to September 30, 2016	3rd Quarter October 1, 2016 to December 31, 2016	4th Quarter January 1, 2017 to March 31, 2017
Net income per share (Yen)	0.95	0.60	0.13	0.90

## 2. Financial Statements, etc.

### (1) Financial Statements

#### 1) Balance Sheet

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	*1 406,657	*1 526,031
Accounts receivable from subsidiaries and associates-trade	470	-
Securities	51,023	15,541
Inventories	1,293	-
Accounts receivable-other from subsidiaries and associates	124,687	104,516
Short-term loans receivable from subsidiaries and associates	*4 85,000	*4 145,000
Deferred tax assets	29,500	12,000
Other	55,546	9,740
Total current assets	754,179	812,830
Non-current assets		
Property, plant and equipment	1,520	1,237
Intangible assets	1,260	900
Investments and other assets		
Investment securities	54,379	28,832
Shares of subsidiaries and associates	866,548	871,727
Long-term loans receivable	22,536	22,438
Long-term accounts receivable from subsidiaries and associates	40,000	37,258
Long-term loans receivable from subsidiaries and associates	*4 420,000	*4 590,000
Deferred tax assets	-	50,561
Other	7,805	8,013
Allowance for doubtful accounts	(40,000)	(37,258)
Total investments and other assets	1,371,268	1,571,572
Total non-current assets	1,374,049	1,573,710
Total assets	2,128,228	2,386,540

(Thousands of yen)

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	*3 2,000	*3 50,000
Current portion of long-term loans payable	*1 61,968	*1 95,304
Accounts payable from subsidiaries and affiliates- other	3,198	225
Accrued expenses	7,592	8,048
Income taxes payable	2,194	3,208
Accrued consumption taxes	1,197	1,699
Provision for bonuses	2,987	2,713
Interest rate swaps	39,495	30,274
Other	3,719	5,508
Total current liabilities	124,354	196,981
Non-current liabilities		
Long-term loans payable	*1 554,048	*1 539,298
Long-term lease and guarantee deposited	9,000	-
Total non-current liabilities	563,048	539,298
Total liabilities	687,402	736,279
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,578,674	1,582,416
Capital surplus		
Legal capital surplus	264,268	268,010
Total capital surpluses	264,268	268,010
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(367,819)	(173,267)
Total retained earnings	(367,819)	(173,267)
Treasury shares	(3,020)	(3,020)
Total shareholders' equity	1,472,102	1,674,137
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-	982
Deferred gains or losses on hedges	(39,495)	(30,274)
Total valuation and translation adjustments	(39,495)	(29,291)
Subscription rights to shares	8,219	5,415
Total net assets	1,440,825	1,650,261
Total liabilities and net assets	2,128,228	2,386,540

## 2) Statement of Income

(Thousands of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Net sales	*1 117,882	*1 128,553
Cost of sales	462	1,293
Gross profit	117,420	127,260
Selling, general and administrative expenses	*2 164,726	*2 166,881
Operating loss	(47,306)	(39,621)
Non-operating income		
Interest income	*1 17,592	*1 15,625
Dividend income	*1 166,527	*1 183,134
Gain on sales of securities	1,000	6,247
Other	10,375	8,723
Total non-operating income	195,495	213,731
Non-operating expenses		
Interest expenses	12,682	11,832
Loss on valuation of securities	5,670	-
Foreign exchange losses	16,326	-
Other	4,870	125
Total non-operating expenses	39,549	11,958
Ordinary profit	108,639	162,151
Extraordinary income		
Gain on sales of investment securities	30,805	-
Other	88	-
Total extraordinary income	30,893	-
Extraordinary losses		
Loss on sales of investment securities	1,221	-
Loss on valuation of investment securities	44,744	47,682
Loss on valuation of shares of subsidiaries and associates	*3 125,000	-
Total extraordinary losses	170,966	47,682
Profit (loss) before income taxes	(31,432)	114,469
Income taxes-current	(60,408)	(46,581)
Income taxes-deferred	(29,500)	(33,500)
Total income taxes	(89,908)	(80,081)
Profit	58,476	194,551

### 3) Statement of Changes in Equity

FY3/16 (April 1, 2015 – March 31, 2016)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	1,578,674	264,268	264,268	(426,295)	(426,295)	(2,976)	1,413,670
Changes of items during period							
Issuance of new shares							
Profit				58,476	58,476		58,476
Purchase of treasury shares						(44)	(44)
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	58,476	58,476	(44)	58,431
Balance at end of current period	1,578,674	264,268	264,268	(367,819)	(367,819)	(3,020)	1,472,102

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	35,077	(30,329)	4,748	5,994	1,424,412
Changes of items during period					
Issuance of new shares					
Profit					58,476
Purchase of treasury shares					(44)
Net changes of items other than shareholders' equity	(35,077)	(9,166)	(44,243)	2,225	(42,018)
Total changes of items during period	(35,077)	(9,166)	(44,243)	2,225	16,413
Balance at end of current period	-	(39,495)	(39,495)	8,219	1,440,825

FY3/17 (April 1, 2016 – March 31, 2017)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	1,578,674	264,268	264,268	(367,819)	(367,819)	(3,020)	1,472,102
Changes of items during period							
Issuance of new shares	3,742	3,742	3,742				7,484
Profit				194,551	194,551		194,551
Net changes of items other than shareholders' equity							
Total changes of items during period	3,742	3,742	3,742	194,551	194,551	-	202,035
Balance at end of current period	1,582,416	268,010	268,010	(173,267)	(173,267)	(3,020)	1,674,137

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	-	(39,495)	(39,495)	8,219	1,440,825
Changes of items during period					
Issuance of new shares					7,484
Profit					194,551
Net changes of items other than shareholders' equity	982	9,221	10,203	(2,804)	7,399
Total changes of items during period	982	9,221	10,203	(2,804)	209,435
Balance at end of current period	982	(30,274)	(29,291)	5,415	1,650,261



[Notes]

## Notes - Significant Accounting Policies

### 1. Valuation criteria and methods for assets

#### (1) Valuation criteria and methods for marketable securities

##### i. Securities for trade purposes

Valued at the market price, cost of sales being determined by the moving average method.

##### ii. Shares of subsidiaries and affiliates

Cost method based on the moving average method.

##### iii. Available-for-sale securities

Securities having market prices

Market price method based on market prices, etc., as of the closing date of the fiscal year. (Valuation differences are included directly in net assets and the cost of securities sold is determined by the moving average method.)

Securities without market prices

Cost method based on the moving average method.

#### (2) Valuation criteria and methods for inventories

Merchandise

Cost method based on the specific identification method. (The amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability.)

### 2. Depreciation and amortization methods for non-current assets

#### (1) Property, plant and equipment

The Company use the declining-balance method.

However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated using the straight-line method.

Approximate useful lives: Tools, furniture and fixtures: 4-5 years

#### (2) Intangible assets

Software intended for internal use is amortized using the straight-line method based on an estimated period of internal use (five years).

### 3. Translation standard of foreign currency-denominated assets or liabilities into yen

Monetary debts and credits denominated in foreign currencies are translated into yen at the spot exchange rates on the fiscal year-end date, with the differences resulting from such translations recorded as losses or profits.

### 4. Reporting basis for allowances

#### (1) Allowance for doubtful accounts

In the provision for possible losses on receivables caused by bad debts, an estimated uncollectible amount is reported based on their historical losses as to ordinary receivables and based on the consideration of feasibly recoverable amounts in individual cases of specific receivables for which collectability is a great concern.

#### (2) Provision for bonuses

In the provision for the future payment of employee bonuses, an anticipated amount of total bonus payments attributable to the current fiscal year is reported.

### 5. Accounting for hedges

-Hedging method

The Company applies deferred hedge accounting.

-Hedging instruments and risks hedged

Hedging instruments: Interest rate swaps

Risk hedged: Interest on borrowings

-Hedging policy

As stated in the Company's Derivative Management Rules, hedges are used to reduce exposure to interest rate volatility.

-Evaluation method for the effectiveness of hedges

The cumulative changes in cash flows of the hedged risk and of the hedging instrument are compared and the ratio is used to evaluate effectiveness.

### 6. Other significant matters for preparation of the financial statements

#### (1) Accounting procedure for consumption taxes

National and local consumption taxes are accounted by the tax-exclusion method.

#### (2) Application of consolidated taxation system

The Company applies the consolidated taxation system.

## Notes - Changes in Accounting Policies

### Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ, Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the period under review, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit or loss in the current fiscal year is insignificant.

## Notes - Changes in Presentation

### Non-consolidated Balance Sheet

“Prepaid expenses,” presented as a separate line item in the previous fiscal year, is included in “Other” under “Current assets” in the current fiscal year given the reduced materiality of impact of the amount on the financial statements. For consistency with these changes, the financial statements for the previous fiscal year have been revised.

Accordingly, the 3,279 thousand yen “Prepaid expenses” line item under “Current assets” in the previous fiscal year’s non-consolidated balance sheet has been reclassified as “Other” under “Current assets.”

### Non-consolidated Statement of Income

“Share issuance cost” presented as a separate line item under “Non-operating expenses” in the previous fiscal year, is included in “Other” under “Non-operating expenses” in the current fiscal year given the reduced materiality of impact of the amount on the financial statements. For consistency with these changes, the financial statements for the previous fiscal year have been revised.

Accordingly, the 4,822 thousand yen “Share issuance cost” line item under “Non-operating expenses” in the previous fiscal year’s non-consolidated statement of income has been reclassified as “Other” under “Non-operating expenses.”

## Notes - Additional Information

### Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the period under review, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

## Notes - Non-consolidated Balance Sheet

### \*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows.

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Time deposits	100,000	100,000

Secured liabilities corresponding to the above collateral are as follows.

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Long-term loans payable (includes current portion of long-term loans payable)	538,239	502,947

### 2. Guaranteed debt

(1) The Company guarantees the following affiliates’ bank loans.

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Global Holdings Co., Ltd.	197,600	172,900
Y.K. Masuda Seimen	51,000	41,880
Trust Advisers Corporation	44,280	17,100

(2) The Company guarantees as follows debt based on an administrative outsourcing contract of an affiliated company with a property management organization.

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Trust Advisers Corporation	15,024	15,814

\*3. Current account overdraft agreements

The Company has current account overdraft agreements with Shinsei Bank, Limited, in order to improve capital efficiency and to raise funds efficiently as deemed necessary. The amount of credit available at the end of the past two fiscal years was as follows.

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Current account overdraft limit	50,000	100,000
Credit used	2,000	50,000
Credit available	48,000	50,000

\*4. The Company has credit facility agreements with consolidated subsidiaries Global Holdings Co., Ltd., Narita Gateway Hotel Co., Ltd., Kurashiki Royal Art Hotel Co., Ltd. and Trust Advisers Corporation. The amount of credit available at the end of the past two fiscal years was as follows.

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Credit available	620,000	720,000
Credit used	500,000	660,000
Credit available	120,000	60,000

**Notes – Non-consolidated Statement of Income**

\*1. The following items related to transactions with affiliated companies are included.

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Sales to affiliates	117,855	128,053
Interests received from affiliates	10,585	14,934
Dividend income received from affiliates	164,000	182,700

\*2. Selling expenses accounted for 0% of selling, general and administrative (SG&A) expenses for the previous and current fiscal years, respectively. General and administrative expenses accounted for 100% of the SG&A expenses for the previous and current fiscal years, respectively.

Major components and amounts of the selling, general and administrative expenses are as follows.

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Directors' compensations	39,325	37,950
Salaries and allowances	40,138	39,253

\*3. Loss on valuation of shares of subsidiaries and associates

FY3/16 (April 1, 2015 – March 31, 2016)

Taking into consideration the fact that performance at consolidated subsidiary Y.K. Masuda Seimen is lower than was anticipated in its original business plan, after reevaluating the company's business value, we declared an impairment loss on the company's shares.

FY3/17 (April 1, 2016 – March 31, 2017)

There is no applicable information.

**Notes – Marketable Securities**

No subsidiaries' stocks (carrying value of 835,483 thousand yen each in FY3/17 and FY3/16) and affiliates' stocks (carrying value of 36,243 thousand yen in FY3/17 and 31,065 thousand yen in FY3/16) are shown because there is no market price and the fair value is deemed to be extremely difficult to determine.

## Notes - Tax Effect Accounting

### 1. Details of the causes for deferred tax assets and deferred tax liabilities

	(Thousands of yen)	
	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Deferred tax assets (current)		
Provision for bonuses	921	837
Deferred loss	29,500	12,000
Other	114	123
Subtotal deferred tax assets (current)	30,536	12,961
Valuation allowance	(1,036)	(961)
Total deferred tax assets (current)	29,500	12,000
Deferred tax assets (non-current)		
Deferred loss	346,407	305,107
Loss on valuation of investment securities	15,423	30,138
Loss on valuation of shares of subsidiaries and associates	185,468	185,468
Excess of allowance for doubtful accounts	12,344	11,498
Other	848	691
Subtotal deferred tax assets (non-current)	560,493	532,905
Valuation allowance	(560,493)	(481,905)
Total deferred tax assets (non-current)	-	51,000
Deferred tax liabilities (non-current)		
Valuation difference on available-for-sale securities	-	438
Total deferred tax liabilities (non-current)	-	438
Net deferred tax liabilities (non-current)	-	50,561

### 2. Details of major items causing the significant difference between the statutory effective tax rate and the actual effective tax rate after the application of tax-effect accounting

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
Statutory effective tax rate	Details are not	30.9%
(Adjustments)	presented since the	
Dividend income and other items not to be included in income indefinitely	Company reported a	(49.3)
Entertainment expenses and other items not to be included in expenses indefinitely	loss before income	
Residential tax for the period	taxes.	0.1
Increase (decrease) in valuation allowance		0.8
Effect of consolidated taxation		(21.2)
Other		(32.7)
Actual effective tax rate after the application of tax-effect accounting		1.5
		(70.0)

### 3. Revised amount of deferred tax assets and deferred tax liabilities following the change in the corporate tax rate, etc.

Japan extended the increase in its consumption tax to 10% from April 1, 2017 to October 1, 2019 in association with two laws that were passed by the Japanese Diet on November 18, 2016: the Act for Partial Amendment of the Consumption Tax Act for Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 85 of 2016) and the Act for Partial Amendment of the Act for Partial Amendment of the Local Tax Act and Regional Tax Transfer Act for Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 86 of 2016).

In conjunction with this change, the timing of the following changes was also postponed from the fiscal years starting on or after April 1, 2017 to fiscal years starting on or after October 1, 2019: the termination of the local corporate special tax along with the associated restoration of a corporate enterprise tax, revision in the local corporate tax rate and revision in the corporate inhabitants tax rate.

There is no change in the statutory effective tax rate used to determine deferred tax assets and deferred tax liabilities. In addition, although there changes in the tax rates for national and local taxes, the effect on the financial statements is negligible.

## Notes - Significant Events after Reporting Period

### Decrease in legal capital surplus and appropriation of surplus

The Board of Directors approved a resolution on May 16, 2017 to submit a proposal concerning a decrease in the legal capital surplus and appropriation of surplus at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017. This proposal was subsequently approved by shareholders at this meeting.

Details are as described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Significant Events after Reporting Period."

### Stock consolidation and change in trading unit

The Board of Directors approved a resolution on May 16, 2017 to submit a proposal concerning a stock consolidation and change in the trading unit at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017. This proposal was subsequently approved by shareholders at this meeting.

Details are as described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Significant Events after Reporting Period."

Net assets and income per share in the past two fiscal years would have been as follows if this stock consolidation had taken place on April 1, 2015.

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share (Yen)	161.50	185.14
Net income per share (Yen)	6.59	21.92
Diluted net income per share (Yen)	6.53	21.80

## 4) Non-consolidated Supplementary Schedules

### Detailed Statement of Property, Plant and Equipment, etc.

(Thousands of yen)

Category	Balance as of April 1, 2016	Increase	Decrease	Depreciation or amortization at year-end	Balance as of March 31, 2017	Accumulated depreciation or amortization
Property, plant and equipment	-	-	-	761	1,237	7,646
Intangible assets	-	-	-	360	900	-

Note: Because the amount of property, plant and equipment and intangible assets was no more than 1% of total assets, the amounts of "Balance as of April 1, 2016," "Increase" and "Decrease" were omitted.

### Detailed Statement of Allowances

(Thousands of yen)

Category	Balance as of April 1, 2016	Increase	Decrease	Balance as of March 31, 2017
Allowance for doubtful accounts	40,000	37,258	40,000	37,258
Provision for bonuses	2,987	2,713	2,987	2,713

## (2) Components of Major Assets and Liabilities

Omitted because the Company prepares consolidated financial statements.

## (3) Other Information

There is no applicable information.

## Section 6. Overview of Operational Procedures for Shares

Business year	April 1 to March 31		
Ordinary Shareholders’ Meeting	June		
Record date	March 31		
Record date of dividend from surplus	September 30 and March 31		
Number of shares in one share unit	1,000 shares		
Purchase of shares less than one unit Administration office  Administrator of the shareholder registry Agents  Purchasing fee	Special account administrator Mitsubishi UFJ Trust and Banking Corporation Securities Agency Division 1-4-5, Marunouchi, Chiyoda-ku, Tokyo  This administrator does not handle these purchases  -  The amount prescribed separately as the one equivalent to the commission fees for entrustment of purchases of shares		
Method of public notice	Public notices of the Company are done by electronic public notice. However, if the Company is not able to issue electronic public notices due to accidents or any other unavoidable reasons, notices will be published in the <i>Nihon Keizai Shimbun</i> newspaper. Electronic notices are posed on the Company’s website at the following address. <a href="http://www.striders.co.jp/">http://www.striders.co.jp/</a>		
Special benefit for shareholders	(1) Eligible shareholders: Shareholders of record at the end of March and September of every year who hold at least two trading units (2,000 shares)		
	(2) Benefit		
	Shares held	Benefit	
		Coupon valid at Striders Group hotels (Note 1)	Discount coupon valid at Kanmonkai tiger puffer fish restaurants (Note 2)
		More than 2,000 shares (2 units) and less than 5,000 shares (5 units)	1,000 yen
More than 5,000 shares (5 units) and less than 10,000 shares (10 units)		3,000 yen	2,000 yen
More than 10,000 shares (10 units)	5,000 yen	3,000 yen	
Notes: 1. Valid at Narita Gateway Hotel and Kurashiki Royal Art Hotel. 2. Valid at all Kanmonkai restaurants and can be exchanged for Guenpin Fugu original products. The above benefits may change.			

Notes: 1. Rights for holdings of stock of less than one unit

The Company's Articles of Incorporation state that shareholders who own less than one unit cannot exercise any rights other than the rights listed below.

- (1) Rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act
  - (2) Right to demand acquisition of stock with acquisition rights
  - (3) Right to receive allocations of shares solicited or subscription of share purchase warrants in accordance with the number of shares held by each shareholder
2. At the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017, shareholders approved a change in the trading unit (*tangen*) of stock in the Articles of Incorporation from 1,000 shares to 100 shares with the effective date for share consolidation of October 1, 2017.
3. The Company's administrator of the shareholder registry is as follows.
- Sumitomo Mitsui Trust Bank, Limited  
1-4-1, Marunouchi, Chiyoda-ku, Tokyo

## **Section 7. Reference Information of Reporting Company**

### **1. Information about Parent Company, etc. of Reporting Company**

The Company has no parent companies, etc.

### **2. Other Reference Information**

The Company has submitted the following documents during the period from the beginning date of the current fiscal year to the date of submission of this Securities Registration Report.

#### **(1) Securities Registration Report, Attachments and Written Confirmation**

For the 52nd period (from April 1, 2015 to March 31, 2016): Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2016.

#### **(2) Internal Control Report and Attachments**

Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2016.

#### **(3) Quarterly Reports and Written Confirmation**

1st Quarter of the 53rd period (from April 1, 2016 to June 30, 2016):

Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2016.

2nd Quarter of the 53rd period (from July 1, 2016 to September 30, 2016):

Submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2016.

3rd Quarter of the 53rd period (from October 1, 2016 to December 31, 2016):

Submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2017.

#### **(4) Extraordinary Reports**

Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2016.

The extraordinary report was filed pursuant to Article 19, Paragraph 2, Item 12 (Occurrence of events that have a marked impact on the Company's financial position, results of operations or cash flows) of the "Cabinet Office Ordinance Regarding Disclosure of Corporate Information."

**Part II. Information about Company which Provides Guarantee to Reporting Company**

There is no applicable information.



## Audit Report and Internal Control Audit Report by Independent Auditor

June 21, 2017

Board of Directors  
Striders Corporation

### ARIA Audit Corporation

Hidetoshi Motegi, CPA, Representative Partner, Managing Partner

Yasuyuki Yamanaka, CPA, Representative Partner, Managing Partner

#### <Audit on Financial Statements>

To make audit article certification pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, ARIA Audit Corporation (the "Audit Firm") audited the consolidated financial statements of Striders Corporation (the "Company") included in the "Financial Information" section of the Securities Registration Report for the consolidated fiscal year that commenced on April 1, 2016, and ended on March 31, 2017, which consisted of consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, significant accounting policies for preparation of consolidated financial statements and other notes to consolidated financial statements and consolidated supplementary schedules.

#### Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair disclosure of the aforementioned consolidated financial statements in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan. This includes the establishment and operation of internal control systems that are regarded as necessary by management to ensure the preparation and fair disclosure of the consolidated financial statements without material misstatement due to fraudulence or errors.

#### Auditor's responsibility

The Audit Firm is responsible for expressing its opinions regarding the aforementioned consolidated financial statements from an independent standpoint, based on the audit it conducted. The Audit Firm performed the audit in accordance with the auditing standards generally accepted as fair and appropriate in Japan. These auditing standards require the Audit Firm to plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

During the audit, auditing procedures are executed to obtain audit evidence supporting the amounts and disclosures of the consolidated financial statements. The auditing procedures are selected and applied at the discretion of the Audit Firm based on the assessment of risks on material misstatements in the consolidated financial statements due to fraudulence or errors. Although the audit on financial statements is not intended to express opinions as to the effectiveness of internal controls, the Audit Firm examines internal controls concerning the preparation and fair disclosure of consolidated financial statements when it conducts the aforementioned risk assessment to draw up appropriate auditing procedures according to the situation. The audit also includes a review of the overall presentation of the consolidated financial statements, including the assessment of the accounting principles and methods of application thereof adopted by management, as well as significant estimates made by management.

The Audit Firm believes that it obtained sufficient and appropriate audit evidence that forms the basis for expressing its opinions.

#### Auditor's opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of Striders Corporation and its consolidated subsidiaries as of March 31, 2017, and their operating results and cash flows for the consolidated fiscal year ended on the same day, in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan.

#### Highlighted information

1. As described in the section "Significant Events after Reporting Period," in accordance with a resolution approved by its Board of Directors on May 16, 2017, the Company submitted the proposals concerning reduction of legal capital surplus and appropriation of surplus. These proposals were approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017.
2. As described in the section "Significant Events after Reporting Period," in accordance with a resolution approved by its Board of Directors on May 16, 2017, the Company submitted the proposals concerning stock consolidation and change in the trading unit. These proposals were approved at the 53rd Ordinary General Shareholders' Meeting held on June 22, 2017.

This event has no effect on the opinions of the Audit Firm.

#### <Internal Control Audit>

To make audit certification in accordance with the provision of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, the Audit Firm audited the internal control report of Striders Corporation as of March 31, 2017.

#### Management's responsibility for the internal control report

The Company's management is responsible for streamlining and operating its internal control concerning its financial reporting and preparing and fairly disclosing an internal control report in accordance with the evaluation standards for internal controls relating to financial reporting generally accepted as fair and appropriate in Japan.

There is a possibility that misstatements in financial reporting are not completely prevented or detected by the internal control systems concerning financial reporting.

#### Auditor's responsibility

The Audit Firm is responsible for expressing its opinions regarding the internal control report from an independent standpoint, based on the internal control audit it conducted. The Audit Firm performed the internal control audit in accordance with the auditing standards for internal controls concerning financial reporting that are generally accepted as fair and appropriate in Japan. These standards require the Audit Firm to plan and perform the internal control audit to obtain reasonable assurance as to whether the internal control report is free of material misstatement.

During the internal control audit, auditing procedures are executed to obtain audit evidence supporting the results of evaluation of the internal control systems relating to financial reporting in the internal control report. The internal control auditing procedures are selected and applied at the discretion of the Audit Firm based on the importance of the internal control's effects on the reliability of financial reports. The internal control audit also includes a review of the overall presentation of the internal control report, including the statements made by management on the scope, procedures and results of evaluation on the internal controls relating to financial reporting.

The Audit Firm believes that it obtained sufficient and appropriate audit evidence that forms the basis for expressing its opinions.

#### Auditor's opinion

In our opinion, the internal control report referred to above, in which Striders Corporation indicated that the internal controls concerning financial reporting as of March 31, 2017, were effective, presents fairly, in all material aspects, the results of evaluation on the internal controls concerning financial reporting, in accordance with the evaluation standards for internal controls concerning financial reporting generally accepted as fair and appropriate in Japan.

#### Vested interests

The Audit Firm and its Managing Partners have no vested interests in the Company that should be disclosed in accordance with the provisions of the Certified Public Accountants Act.

End

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Notes: 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company.

2. The scope of the audit does not include the XBRL data.

## Independent Auditors' Report

June 21, 2017

Board of Directors  
Striders Corporation

### ARIA Audit Corporation

Hidetoshi Motegi, CPA, Representative Partner, Managing Partner

Yasuyuki Yamanaka, CPA, Representative Partner, Managing Partner

To make certification pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, ARIA Audit Corporation (the "Audit Firm") audited the non-consolidated financial statements of Striders Corporation (the "Company") included in the "Financial Information" section of the Securities Registration Report for the 53rd business year that commenced on April 1, 2016, and ended on March 31, 2017, which consisted of non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, significant accounting policies and other notes to non-consolidated financial statements and non-consolidated supplementary schedules.

### Management's responsibility for non-consolidated financial statements

The Company's management is responsible for the preparation and fair disclosure of the aforementioned non-consolidated financial statements in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan. This includes the establishment and operation of internal control systems that are regarded as necessary by the management to ensure the preparation and fair disclosure of the non-consolidated financial statements without material misstatement due to fraudulence or errors.

### Auditor's responsibility

The Audit Firm is responsible for expressing its opinions regarding the aforementioned non-consolidated financial statements from an independent standpoint, based on the audit it conducted. The Audit Firm performed the audit in accordance with the auditing standards generally accepted as fair and appropriate in Japan. These auditing standards require the Audit Firm to plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements are free of material misstatement.

During the audit, auditing procedures are executed to obtain audit evidence supporting the amounts and disclosures of the non-consolidated financial statements. The auditing procedures are selected and applied at the discretion of the Audit Firm based on the assessment of risks on material misstatements in the financial statements due to fraudulence or errors. Although the audit on the non-consolidated financial statements is not intended to express opinions as to the effectiveness of internal controls, the Audit Firm examines internal controls concerning the preparation and fair disclosure of the non-consolidated financial statements when it conducts the aforementioned risk assessment to draw up appropriate auditing procedures according to the situation. The audit also includes a review of the overall presentation of the non-consolidated financial statements, including the assessment of the accounting principles and methods of application thereof adopted by management, as well as significant estimates made by management.

The Audit Firm believes that it obtained sufficient and appropriate audit evidence that forms the basis for expressing its opinions.

### Auditor's opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material aspects, the financial position of Striders Corporation as of March 31, 2017, and its operating results for the fiscal year ended on the same day, in accordance with the corporate accounting standards generally accepted as fair and appropriate in Japan.

### Highlighted information

1. As described in the section "Significant Events after Reporting Period," in accordance with a resolution approved by its Board of Directors on May 16, 2017, the Company submitted the proposals concerning reduction of legal capital surplus and appropriation of surplus. These proposals were approved at the 53rd Ordinary General Meeting of Shareholders held on June 22, 2017.
2. As described in the section "Significant Events after Reporting Period," in accordance with a resolution approved by its Board of Directors on May 16, 2017, the Company submitted the proposals concerning stock consolidation and change in the trading unit. These proposals were approved at the 53rd Ordinary General Meeting of Shareholders held on June 22, 2017.

This event has no effect on the opinions of the Audit Firm.

### Vested interests

The Audit Firm and its Managing Partners have no vested interests in the Company that should be disclosed in accordance with the provisions of the Certified Public Accountants Act.

End

Notes: 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company.

2. The scope of the audit does not include the XBRL data.

## Cover page

[Submitted document]	Written Confirmation
[Statutory basis]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Agency receiving submission]	Director-General of the Kanto Local Finance Bureau
[Submission date]	June 23, 2017
[Corporate name]	Kabushiki-Kaisha Striders
[Name in English]	Striders Corporation
[Name and position of representative]	Ryoichi Hayakawa, President and Chief Executive Officer
[Name and position of Chief Financial Officer]	Yoshiyuki Wakahara, Managing Director and Chief Financial Officer
[Location of headquarters]	5-13-5, Shimbashi, Minato-ku, Tokyo
[Place available for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## **1. Matters Regarding the Appropriateness of Descriptions in the Financial Information**

Ryoichi Hayakawa, President and Chief Executive Officer and Yoshiyuki Wakahara, Chief Financial Officer confirmed that the contents of the Company's Financial Information of the 53rd period (from April 1, 2016 through March 31, 2017) was appropriately stated pursuant to the Financial Instruments and Exchange Act.

## **2. Matters to Be Noted**

There is no applicable information.

## Cover page

[Submitted document]	Internal Control Report
[Statutory basis]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Agency receiving submission]	Director-General of the Kanto Local Finance Bureau
[Submission date]	June 23, 2017
[Corporate name]	Kabushiki-kaisha Striders
[Name in English]	Striders Corporation
[Name and position of representative]	Ryoichi Hayakawa, President and Chief Executive Officer
[Name and position of Chief Financial Officer]	Yoshiyuki Wakahara, Managing Director and Chief Financial Officer
[Location of headquarters]	5-13-5, Shimbashi, Minato-ku, Tokyo
[Place available for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## **1. Basic Framework for Internal Controls Concerning Financial Reports**

Ryoichi Hayakawa, President and Chief Executive Officer and Yoshiyuki Wakahara, Chief Financial Officer are responsible for establishing and operating internal controls for financial reports of Striders Corporation and its consolidated subsidiaries (collectively “the Striders Group”). The establishment and operation of these internal controls complies with the basic framework for internal controls in Business Accounting Council Opinion Statement concerning the Standards for Evaluations and Audits of Financial Report Internal Controls and the Standards for Implementing Internal Control Evaluations and Audits.

Internal controls are intended to achieve their objectives within reasonable bounds by functioning as an integrated unit with all fundamental elements seamlessly linked. Consequently, preventing or identifying every false entry in financial reports by using internal controls for these reports may not be possible.

## **2. Scope of Evaluations, Record Date and Evaluation Procedure**

The evaluation of internal controls for financial reports was performed with a record date of March 31, 2017, the last day of the fiscal year. The evaluation was based on evaluation standards for financial report internal controls that are recognized as fair and proper.

For this evaluation, there was an evaluation of internal controls (corporate internal controls) that have a significant influence on overall consolidated financial reports. The results of this evaluation were used to select operational processes for evaluations. For the evaluation of these processes, the selected processes were analyzed and items that have a significant influence on the reliability of financial reports were identified. Then the status and implementation of these items in relation to the applicable controls were evaluated in order to determine the effectiveness of internal controls.

The scope of financial report internal control evaluations is the coverage required from the standpoint of the importance of influences on the reliability of financial reports of the Striders Group. The importance of influences on the reliability of financial reports was decided by taking into consideration the importance of monetary and qualitative influences. Based on the evaluation of corporate internal controls for the entire company and five consolidated subsidiaries, a reasonable evaluation scope was determined for internal controls for operational processes. The coverage of evaluations for internal controls for the entire company does not include other consolidated subsidiaries, based on the judgment that their monetary and qualitative importance is negligible.

For the scope of evaluations for internal controls for operational processes, the sales of all business sites in the fiscal year ended March 31, 2016 were added in order beginning with the location having the highest sales. Then the business sites that account for about two-thirds of total sales were classified as important business sites. At the selected important business sites, the operational process evaluation covered processes involving sales and receivables, which are items closely linked to business activities.

In addition, irrespective of the important business sites selected, evaluations included operational processes that are important because of their influence on financial reports at certain other business sites. One category is businesses processes where there is a high probability of significant false entries and that are associated with important accounting items requiring estimates and forecasts. Another category is operational processes for businesses and operations that perform transactions with substantial risk.

## **3. Results of evaluations**

Based on the results of the internal control evaluations described in the preceding section, management has concluded that internal controls for financial reports of the Striders Group were effective as of March 31, 2017.

## **4. Supplementary Information**

There is no applicable information.

## **5. Matters to Be Noted**

There is no applicable information.